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**PETITION AND TRANSCRIPT OF RECORD**

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**SUPREME COURT OF THE UNITED STATES**

**OCTOBER TERM, [REDACTED] 1928**

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**No. [REDACTED] 291**

**THE UNITED STATES, PETITIONER**

**vs.**

**THE S. S. WHITE DENTAL MANUFACTURING COMPANY  
OF PENNSYLVANIA**

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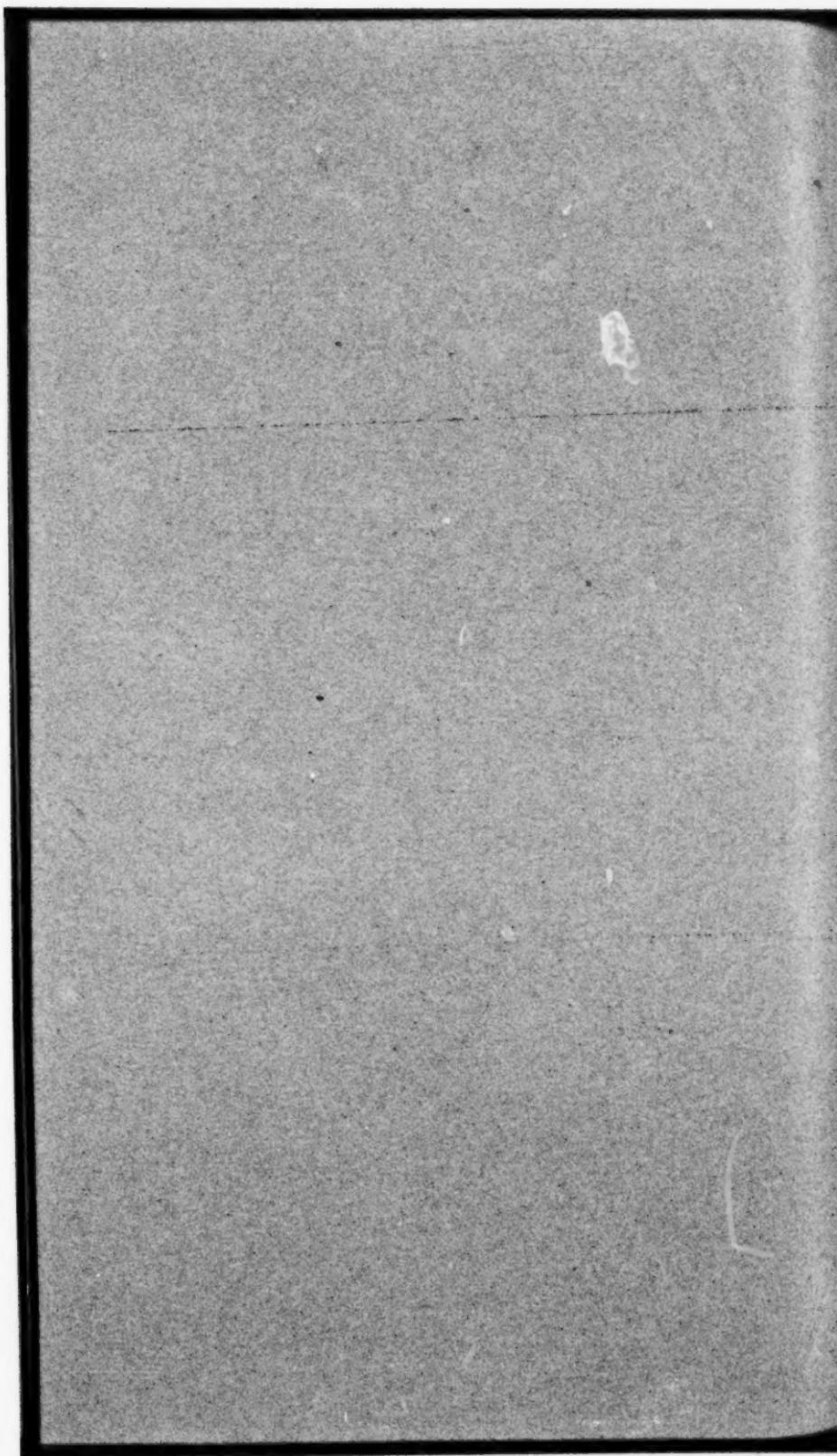
**ON WRIT OF CERTIORARI TO THE COURT OF CLAIMS**

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**PETITION FOR CERTIORARI FILED FEBRUARY 5, 1928**

**CERTIORARI GRANTED APRIL 19, 1928**

**(81680)**



SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1925

No. 957

THE UNITED STATES, PETITIONER

vs.

THE S. S. WHITE DENTAL MANUFACTURING COMPANY  
OF PENNSYLVANIA

ON PETITION FOR A WRIT OF CERTIORARI TO THE COURT OF  
CLAIMS

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A In the Supreme Court of the United States

October term, 1925

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No. —

THE UNITED STATES, PETITIONER

v.

THE S. S. WHITE DENTAL MANUFACTURING COMPANY  
OF PENNSYLVANIA*Petition for writ of certiorari to the United States Court of Claims*

The United States of America prays that a writ of certiorari issue to the United States Court of Claims directing that court to certify to this court the record in the case of The S. S. White Dental Manufacturing Company of Pennsylvania v. The United States, No. D-537, in that court, in order that the decision and judgment of said court, rendered on November 9, 1925, may be reviewed.

## STATEMENT OF THE CASE

B The claimant sued to recover taxes paid by it under protest in the amount of \$83,813.59, alleged to have been illegally collected, and claim for refund of which had been denied. The basis of its claim was that it had sustained a deductible loss during the year 1918 within the meaning of section 234 (a) (4) of the revenue act of 1918 (chap. 18, 40 Stat. 1057, 1078), but which had not been allowed by the Government in the computation of its net taxable income for 1918.

The claimant had a subsidiary company in Berlin, Germany, the property of which was seized on March 19, 1918, by the then Imperial German Government, acting through an agent known as the sequesterator. In its tax return for the year 1918 the claimant deducted a loss of \$110,764.34. Later an amended return was filed and a loss of \$130,764.34 was deducted for the year 1918.

In Finding II of the Court of Claims it is stated that the investment was charged off the books in 1918. What is meant by this finding is explained in Finding VIII, which sets up the resolution of the board as follows:

C "Stated meeting, board of directors, July 29, 1918. The S. S. White Dental Mfg. Co., m. b. h., Berlin

"Whereas The S. S. White Dental Mfg. Co., m. b. h., Berlin, represents the following investments in this company's assets as of December 31, 1917:

## 2 UNITED STATES VS. THE S. S. WHITE DENTAL MFG. CO.

A-19, capital stock.....	\$15,000.00
B-28, furniture & fixtures.....	7,046.26
B-17, open accounts.....	\$127,670.75
Less formerly adjusted.....	18,952.67
	108,718.08
	130,764.34

and

"Whereas in 1916 there was charged as a reserve against this amount the sum of \$20,000; and

"Whereas under continued condition of war the loss will, in the judgment of this board, soon be complete:

"RESOLVED, That additional reserves be set up on the following basis, viz, \$15,000 quarterly, beginning March, 1918, until liquidated."

This amount, claimed as a loss, was the investment of the claimant in the subsidiary company as shown by the books on December 31, 1915, at which time the last authentic report was received. This loss was disallowed by the committee on appeals and review of the Internal Revenue Bureau and by the Commissioner of Internal Revenue, because it was not a closed and completed transaction.

The property of the Berlin company was released and returned to the claimant or its subsidiary on March 14, 1920. The physical assets and leasehold of the subsidiary were sold by claimant in 1922 for \$6,000. In 1923 the claimant filed a claim with the Mixed Claims

D Commission against Germany in the total sum of \$368,333.32 on account of the loss of its subsidiary, and on January 30, 1924, was notified by the agent of that commission that the claim had been allowed for \$70,000, with interest at 5 per cent from February 1, 1920, to the date of payment.

The Government contended that the charging off of the loss for 1918 was of no effect of itself and that no loss could be deducted under section 234 (a) (4) of the revenue act of 1918 (hereinafter set out), unless the loss was actually sustained as evidenced by a closed and completed transaction. On the Government's theory there was no closed and completed transaction in 1918.

The Court of Claims held that "the plaintiff suffered such a loss as the statute contemplated when losses were made deductible by its terms."

## THE STATUTES

The pertinent parts of the revenue act of 1918 (40 Stat. 1057) are as follows:

"SEC. 232. That in the case of a corporation subject to the tax imposed by section 230 the term 'net income' means the gross income \* \* \* less the deductions allowed by section 234. \* \* \*.

"SEC. 234. (a) That in computing the net income of a corporation subject to the tax imposed by section 230 there shall be allowed as deductions:

\* \* \* \* \*

"(4) Losses sustained during the taxable year and not compensated for by insurance or otherwise."

## E THE ISSUE

Did the claimant, under the facts in this case, sustain a loss during the taxable year 1918 not compensated for by insurance or otherwise, as a result of the sequestration of the property and business of the Berlin company by the German Government on March 19, 1918?

## REASONS FOR GRANTING THE PETITION

1. In the view of the petitioner the Court of Claims erred in deciding in effect that the claimant could take a deduction for a loss not evidenced by a closed and completed transaction.

2. The Internal Revenue Bureau has always provided in its regulations, which it has consistently carried out, that no loss could be deducted unless it was actually sustained, as evidenced by a closed and completed transaction. There are practically no decisions of the courts on this point.

The question involved is an important one, as it will affect all taxpayers who had property in Germany seized by that Government and who presented claims to the Mixed Claims Commission. The amount involved is very large even in the narrow field of this class of taxpayers, but the decision may reach all claims for refund based on losses sustained.

Wherefore it is respectfully submitted that this petition for writ of certiorari to review the judgment of the United States Court of Claims should be granted.

WILLIAM D. MITCHELL,  
*Solicitor General.*

HERMAN J. GALLOWAY,  
*Assistant Attorney General.*

FRED K. DYAR,  
*Special Assistant to the Attorney General.*

JANUARY, 1926.

1 In Court of Claims of the United States

No. D 537

THE S. S. WHITE DENTAL MANUFACTURING COMPANY OF PENNSYLVANIA

vs.

THE UNITED STATES

I. Petition

Filed July 24, 1924

To the Honorable the Chief Justice and Judges of the Court of Claims:

Your petitioner respectfully shows unto your honors the following facts:

1. Petitioner is a corporation organized and existing under the laws of the State of Pennsylvania with its principal office at

4           UNITED STATES VS. THE S. S. WHITE DENTAL MFG. CO.

2           Philadelphia, in said State, for the purpose of manufacturing  
and selling artificial teeth, dental tools, instruments and articles  
of all kinds, and preparations, apparatus and articles useful or convenient in the science and practice of dentistry and oral surgery.

2. The said The S. S. White Dental Manufacturing Company of Pennsylvania, parent corporation of The S. S. White Dental Manufacturing Company, m.b.h., of Berlin, Germany, made an income and profits tax return and also an amended income and profits tax return to the United States Commissioner of Internal Revenue of its income for the year 1918 (Exhibit A), and deducted as a loss in its said United States income and profits tax return the sum of \$110,764.34, and in its amended income and profits tax return it deducted \$130,764.34 for the year 1918, made to the said United States Commissioner of Internal Revenue, being the value of all the assets of The S. S. White Dental Manufacturing Company, m.b.h., of Berlin, Germany, which were shown on the books of The S. S. White Dental Manufacturing Company of Pennsylvania in 1918, and which is called its Berlin loss, for the reason that under date of March 19, 1918, Herman Ubert, resident manager of The S. S. White Dental Manufacturing Company, m.b.h., of Berlin, Germany, was notified by one Emil Meyer, a representative of the then German Imperial Government, that he had been appointed sequestrator by the then German Minister for Commerce and Manufacturers, and by

3           said authority on March 19, 1918 (Exhibit B), did seize and  
3           sequester the property of The S. S. White Dental Manufacturing Company, m.b.h., of Berlin, Germany, for the use of the then Imperial German Government. The property seized and confiscated by the sequestrator consisted of fixtures, cash, book accounts, merchandise stock, and accounts due and owing the said company. Because of the aforesaid loss of property, which belonged to The S. S. White Dental Manufacturing Company of Pennsylvania, the amount of \$130,764.34 was charged off the books of it, the parent corporation, The S. S. White Dental Manufacturing Company of Pennsylvania, in the year 1918, as that was the exact amount of the parent corporation's investment in The S. S. White Dental Manufacturing Company, m. b. h., of Berlin, Germany, prior to the books of the said The S. S. White Dental Manufacturing Company of Pennsylvania in 1918.

3. The last statement received by The S. S. White Dental Manufacturing Company of Pennsylvania from The S. S. White Dental Manufacturing Company, m.b.h., of Berlin, Germany, as shown by sequestration of The S. S. White Dental Manufacturing Company, m. b. h., of Berlin, Germany, by the German sequestrator, showed the value of the tangible and intangible assets of The S. S. White

Dental Manufacturing Company, m. b. h., of Berlin, Germany, books on January 1, 1917, to be \$149,217.01 in United States currency.

4 Due to the fact that all lines of communication for commercial transactions between the United States and Germany

had been discontinued as a result of the war then pending between the United States and Germany, it was not possible to reconcile the \$130,764.34, representing the amount of \$149,217.01 contained in the last statement received from The S. S. White Dental Manufacturing Company, m. b. h., of Berlin, Germany, and, therefore, at the time of filing its income and profits tax return for 1918, The S. S. White Dental Manufacturing Company of Pennsylvania was restricted absolutely in making said deduction on its United States income and profits tax return for the year 1918 on account of its Berlin loss to the amount of \$130,764.34, appearing on its books as a loss.

4. The S. S. White Dental Manufacturing Company, m. b. h., of Berlin, Germany, was organized on January 20, 1896, upon which date the said corporation was entered of record in the Berlin Trade Register under No. 1211. The capital of the said company at the time of organization consisted of marks 60,000, and the names of the stockholders and the amount of stock held by each at the time of organization are as follows:

	Marks
The S. S. White Dental Mfg. Co. of Penna.....	50,000
H. M. Lewis.....	2,000
W. H. Gilbert.....	2,000
J. Clarence White.....	2,000
Sam. J. Jones.....	2,000
Sam. S. White, Jr.....	2,000
<hr/>	
Marks .....	60,000

5 In the course of time there were several changes in the register of the original stockholders enumerated above due to death, and the stock of a number of the aforesaid parties after death was acquired by The S. S. White Dental Manufacturing Company of Pennsylvania, the parent corporation. Under date of February 10, 1911, the Berlin Trade Register, at Berlin, Germany, was officially notified by The S. S. White Dental Manufacturing Company of Pennsylvania that it had acquired the outstanding shares of the other parties in The S. S. White Dental Manufacturing Company, m. b. h., of Berlin, Germany, and from said date of February 10, 1911, the parent American corporation became the sole owner of all the stock of the said The S. S. White Dental Manufacturing Company, m. b. h., of Berlin, Germany, and was the sole owner of said stock of said corporation at the time of said sequestration by the Imperial German Government on March 19, 1918.

5. The object of The S. S. White Dental Manufacturing Company of Pennsylvania, the parent corporation, in organizing The S. S. White Dental Manufacturing Company, m. b. h., of Berlin, Ger-

## 8 UNITED STATES VS. THE S. S. WHITE DENTAL MFG. CO.

## The S. S. White Dental Mfg. Co.

[Extracts from minutes]

Stated meeting, board of directors, July 29, 1918. The S. S. White Dental Mfg. Co. m. b. h., Berlin

Whereas The S. S. White Dental Mfg. Co., m. b. h., Berlin, represents the following investments in this company's assets as of December 31, 1917:

10	A-19, capital stock.....	\$15,000.00
	B-28, furniture and fixtures.....	7,046.28
B-17, open accounts.....	\$127,670.75	
Less formerly adjusted.....	18,952.67	
		<hr/>
		108,718.08
		<hr/>
		\$130,764.34

and

Whereas in 1916 there was charged, as a reserve against this amount the sum of \$20,000; and

Whereas under continued condition of war the loss will, in the judgment of this board, soon be complete:

Resolved, That additional reserves be set up on the following basis, viz., \$15,000 quarterly, beginning March, 1918, until liquidated.

\* \* \* \* \*

9. After the hearing on December 28, 1921, in the Internal Revenue Bureau between representatives of this corporation and representatives of the Income Tax Unit, the matter of this corporation's Berlin loss was again referred to a field agent, Paul D. Helfrich, of the Bureau of Internal Revenue, and under date of August 16, 1922, said field agent submitted his report and referred to this corporation's Berlin loss as follows:

11

" SCHEDULE 10 (A)

## "Explanation of items changed

"(a) Loss, Berlin branch, is fully explained in report of Nov. 18, 1921, and disallowed, since no evidence has been submitted to show that the stock or investment was worthless."

10. In a letter of the Income Tax Unit of the Bureau of Internal Revenue dated December 21, 1922, this corporation's claim for its Berlin loss was disallowed and under date of January 5, 1923, another letter was addressed to this corporation by the said Income Tax Unit explaining why this corporation's Berlin loss deducted in its United States income and profits tax return for 1918 was disallowed stated the following:

"As pointed out to your representative in conference, the major portion of the tax is attributable to the disallowance of the loss of

\$110,764.34, claimed on account of the sequestration of your property located in Berlin, Germany, by the German Government. Careful consideration has been given to statements made both orally and in your briefs respecting the deduction in question. This office has reached the conclusion, however, that the loss was not definitely determined or ascertained during 1918, and for that reason does not meet the requirements of the statute. Property sequestered 12 by this country and Germany during the recent war has been in most cases returned to its former owners. In the instant case the property has already been returned to you by the German Government. In view of the above, this office has disallowed the loss claimed."

11. This corporation under date of January 24, 1923, appealed from the decision of the Income Tax Unit of the Bureau of Internal Revenue heretofore set forth in paragraph 10 of this petition to the committee on appeals and review of the Bureau of Internal Revenue and pressed with earnestness its claim for deduction of its said Berlin loss in 1918 before that body, both orally and in writing, and under date of May 12, 1923, said committee on appeals and review sustained the decision of the Income Tax Unit denying the Berlin loss of this corporation and in its decision said in part:

"Upon careful consideration of all the evidence and argument presented orally and by brief, the committee finds itself unable to sustain the appellant's contention on the first point. It is the committee's opinion that the act of sequestration in 1918, in and of itself, did not result in an actual sustained loss in that year, which loss was susceptible of being measured in dollars and cents. It is also the committee's opinion, and this seems to be borne out by subsequent events, that by such act the appellant was temporarily dispossessed 13 of property and investment in the Berlin branch with a consequent cessation of business and inability to realize possible profits during the indefinite period of sequestration. It is apparent that concurrent with the act of sequestration, there arose a right or claim against the German Government for loss or damage resulting therefrom, which right or claim at the time could not be estimated as to value by any reasonable process of calculation. Losses to be deductible must ordinarily be evidenced by a completed, or closed, transaction. Before a loss sustained during a taxable year and not compensated for by insurance or otherwise may be deducted, it must usually be evidenced by such a transaction. (Article 141, Regulations 45.) In the instant case the appellant had in 1918 a reasonable expectancy of the return of the Berlin property and business at the expiration of the period of sequestration; it became repossessed of the Berlin property and business in 1920; it sold such property and business in 1922; and it has now on file a claim for reimbursement due to loss occasioned by such sequestration."

12. Under date of September 5, 1923, this corporation received notice of assessment of \$83,813.59 from J. G. Bright, Deputy Com-

10 UNITED STATES VS. THE S. S. WHITE DENTAL MFG. CO.

missioner of Internal Revenue, as tax on said Berlin loss of this corporation. (Exhibit C.)

13. Amended notice and demand, dated November 7, 1923, for payment to the United States of income and profits taxes in 14 the amount of \$83,813.59 was received by this corporation from Blakely D. McCaughn, United States collector of internal revenue at Philadelphia, Pennsylvania, and under date of November 14, 1923, said amount of \$83,813.59, covering tax on this corporation's Berlin loss was paid to said United States collector of internal revenue, Blakely D. McCaughn, by check B-24937 of this corporation accompanied by written protest of this corporation (Exhibit D), dated November 14, 1923, on the ground that said payment was in no way voluntary and that this corporation was compelled by the United States to pay said \$83,813.59 in taxes on its said Berlin loss under duress and coercion.

14. Immediately after paying said amount of \$83,813.59 as taxes on this corporation's Berlin loss, accompanied by its written protest, this corporation filed a claim for refund of the said amount of \$83,813.59 paid as taxes by it on its said Berlin loss before the expiration of five years from the date when the income and profits tax of 1918 of this corporation was due, on the proper form of the Bureau of Internal Revenue (Form 843) (Exhibit E), and which was filed under date of November 24, 1923, in the Bureau of Internal Revenue and in said refund claim demanded that said amount of \$83,813.59 paid by this corporation under protest should be refunded by the United States to this corporation for the following reasons:

15. "Said amount of \$83,813.59 paid to the United States as shown by internal revenue receipt attached hereto should be refunded to this taxpayer, as said amount paid is based upon an erroneous and illegal assessment, as said assessment is based upon committee on appeals and review recommendation No. 3075 of the United States Internal Revenue Bureau that losses of this corporation in 1918 amounting to \$130,764.34 by reason of sequestration of its property 'The S. S. White Dental Manufacturing Company, m.b.h., of Berlin, Germany,' by the Imperial German Government, be disallowed. This taxpayer contends that it should not have been required to pay said assessment based on said losses as set forth in Bureau of Internal Revenue's letter of September 5, 1923, signed by J. G. Bright, deputy commissioner, initialed IT:CA:M-2. CEO-2114-4-App. This taxpayer insists that it has shown to the Bureau of Internal Revenue its loss in 1918 under subsection 4 of section 234 of the revenue act of 1918 and therefore the amount of \$83,813.59 is refundable to it."

15. The Commissioner of Internal Revenue under date of May 15, 1924, rejected the said refund claim (Exhibit F), filed by this

corporation on November 24, 1923, for the recovery of the \$83,813.59 paid as taxes by this corporation under protest on its Berlin loss.

16 This corporation insists that the rejection of its said refund claim by the Commissioner of Internal Revenue on May 15, 1924, is erroneous and unjust and not warranted by law, as this corporation strongly insists that it has conclusively shown to the Commissioner of Internal Revenue that its Berlin loss set forth in its United States income and profits tax return and amended income and profits tax return for the year 1918 was an actual and deductible loss sustained in 1918 and not compensated for by insurance or otherwise in 1918, under subsection 4 of section 234 of the 1918 internal revenue act for

"(4) Losses sustained during the taxable year and not compensated for by insurance or otherwise."

are deductible losses.

The confiscation of this taxpayer's property on March 19, 1918, by the Imperial German Government, the setting up of reserves by this corporation on July 29, 1918, to take care of its Berlin loss occasioned by the said act of confiscation by the Imperial German Government on March 19, 1918, and the writing off of its said Berlin loss on its books by this corporation in 1918, which was sustained by it in 1918, as well as deducting its said Berlin loss in its United States income and profits tax return and amended income and profits tax return for 1918, and that its said Berlin loss

17 was not compensated for by insurance or otherwise in 1918, this corporation by the aforesaid strongly insists that it has shown a full compliance with subsection 4 of section 234 of the internal revenue act of 1918 in the deduction of its said Berlin loss in its United States income and profits tax return and amended income and profits tax return for the year 1918.

17. That no action upon your petitioner's foregoing claim has been had before Congress. That said refund claim in the amount of \$83,813.59, based on this corporation's Berlin loss, was presented to the United States Commissioner of Internal Revenue, Treasury Department, and that the total amount of said refund claim of \$83,813.59 was rejected by the United States Commissioner of Internal Revenue, and your petitioner, prior to filing refund claim, protested against the payment of the said amount of \$83,813.59 to Blakely D. McCaughn, United States collector of internal revenue at Philadelphia, Pennsylvania, in writing at the date of payment of the said amount of \$83,813.59, but to no avail, and the said United States Commissioner of Internal Revenue adheres to his said action of rejection. That no transfer or assignment of said claim or any part thereof or interest therein has been made. That said claim is now owned by your claimant, and no other person or corporation is

the owner thereof or is interested therein, and that your petitioner  
 is justly entitled to the amount herein claimed from the  
 18 United States after allowing all just credits and set-offs;  
 that your claimant has at all times borne true allegiance to the  
 United States, and has not in any way voluntarily abetted or given  
 encouragement to rebellion against said Government.

## PRAYERS

Wherefore your claimant prays:

1. That the court will render a judgment against the United States in favor of your claimant for the payment by the United States to your claimant of the said sum of eighty-three thousand eight hundred and thirteen dollars and fifty-nine cents (\$83,813.59), with interest at the rate of six per cent (6%) per annum from November 14, 1923, the date of the payment of the said amount of \$83,813.59 by claimant to the United States.
2. That your claimant may have such other and further relief as the nature of the case may require and to the court may seem meet and proper.

THE S. S. WHITE DENTAL MANUFACTURING  
 COMPANY OF PENNSYLVANIA,  
 By FRANK H. TAYLOR, President.  
 JOHN F. McCARRON, Attorney of Record.  
 JOHN HAMPTON BARNES, Of Counsel.

19 . [Duly sworn to by Frank H. Taylor; jurat omitted in printing.]

20 Subscribed and sworn to before me this 22nd day of July  
 A. D. 1924.

WILLIAM J. RUSSELL,  
 Notary Public, State of Pennsylvania.

My commission expires March 9, 1927.

201/2

## Exhibit A to petition

(COPY)

DELIVER OR SEND  
THIS RETURN  
TO COLLECTOR OF  
INTERNAL REVENUE  
ON OR BEFORE  
MARCH 15, 1919

*If extension of time for filing return has been granted the authorization must be attached to this return*

Original Return  
Page 1-Summary  
Form 1130-UNITED STATES INTERNAL REVENUE SERVICE  
**CORPORATION INCOME AND PROFITS TAX RETURN**  
FOR CALENDAR YEAR 1918

OR

Fiscal Period begun \_\_\_\_\_, and ended \_\_\_\_\_, 1918

<p><i>(Print plainly corporation's name and principal place of business)</i></p> <p>The S. S. White Dental Mfg. Company, 211 S. 12th Street, Philadelphia, Pennsylvania.</p>	<p><i>Resident by</i></p>
	<i>Assisted by</i>

<i>(Do not write in this space)</i>	
PAYMENT	CASH
BY	CHECK
MAIL	TELEGRAPH
AMOUNT OF TAX	
<i>(Casher's Stamp)</i>	

**SCHEDULE I—NET INCOME**

	ITEM	1917	1918	1919	
1. Net Income for Each Part-Year (as finally determined on income return) _____	3	443,898	43,7	317,729	78,0
2. The amount of corporation which has paid in each year _____	4	572	48	4,600	98
3. Totals for 1917, 1918, and 1919 _____	5	470	470	322,348	78,0
4. Less dividends received in 1919 _____					174,600 78
5. Net Total for 1918 _____					322,348 78
6. Average Net Income for Previous Periods (sum of Items 3 for 1911 and 1912 and Item 5 for 1913, divided by number of years) _____					662,220 93
7. Net Income for Taxable Year (Item 5, Schedule A, page 9)					

**SCHEDULE II—INVESTED CAPITAL**

	ITEM	1917	1918	1919	VOLUME TAX
1. Initial capital and original profits (the amount of the preceding year as carry-over by corporation from previous adjustments from Schedule I) _____	3	324,243	35,2	540,259	30,0
2. Increases by way of additions (from Schedule P) _____	4	324,243	35,2	540,259	30,0
3. Total _____	5	324,243	35,2	540,259	30,0
4. Increases by way of deduction (from Schedule G) _____					540,259
5. Balance _____	6	324,243	35,2	540,259	30,0
6. Plus or minus change in invested capital during year (from Schedule H and I) _____	7	323,466	3	572,50	4,600
7. Total (or Balance) _____	8	323,466	3	572,50	4,600
8. Less deduction on account of nondeductible assets (from Schedule L) _____					572,50
9. Invested Capital for Each Year _____	9	323,466	3	572,50	4,600
10. Average Invested Capital for Previous Periods (sum of Items 8 for 1911, 1912, and 1913 divided by number of years) _____					540,259
11. Increase in Invested Capital for Taxable Year as Compared with Average Previous Invested Capital (to show decrease by "D") _____					323,466

**SCHEDULE III—EXCESS PROFITS AND ADDED PROFITS CREDITS.**

(If this return is made for a period less than a full year, Items 2 and 3 must be reduced as provided in paragraph 3, page 1 of Instructions.)

	EXCESS PROFITS CREDIT	ADDED PROFITS CREDIT
1. Eight per cent of invested capital for taxable year (Item 6, last column, Schedule II) _____	3	443,898
2. Less 10% of increase in value of invested capital (Item 8, Schedule II) _____	4	322,348
3. Excess (5%) _____	5	121,550
4. Excess-Profits Credit (Item 3 plus Item 5) _____	6	443,898

**SCHEDULE IV—COMPUTATION OF TAXES.**

(If this return is for a period less than a full year, the amounts of credit must be reduced as provided in paragraph 3, page 1 of Instructions.)

	1. AMOUNT OF TAX	2. AMOUNT OF EXCESS PROFITS CREDIT	3. AMOUNT OF ADDED PROFITS CREDIT	4. BALANCE SUBJECT TO TAX	5. TAX	6. AMOUNT OF TAX
1. Net over 50% of invested capital _____	3	323,466	3	121,550	55	37,810
2. Over 10% of invested capital _____	4	323,466	3	121,550	55	37,810
3. Total _____	5	323,466	3	121,550	55	37,810

**WAR-PROFIT AND EXCESS-PROFIT TAX AND CREDITS UNDER SECTION 302, 303, 304, or 305 (see Item 10 of Instructions, page 1, paragraphs 8 and 9).**

	INCOME TAX
1. Estimated tax for taxable year (Item 7, Schedule I) _____	3
2. Estimated tax for taxable year (Item 7, Schedule I) _____	4
3. War-profits and excess-profits tax (Item 3 plus Item 4) _____	5
4. Estimated tax (Item 3 plus Item 4) _____	6
5. Estimated tax for taxable year (Item 3 plus Item 4) _____	7
6. Balance on account of estimated tax (Items 3, 4, and 5) _____	8
7. Total War-Profits and Excess-Profit Tax (Item 6 plus Item 8) _____	9
8. Total War-Profits and Excess-Profit Tax (Item 6 plus Item 8) _____	10

**ADJUSTMENT OF TAX FOR FISCAL YEAR ENDED IN 1918.**

	ADJUSTMENT OF TAX FOR FISCAL YEAR ENDED IN 1918
1. That portion of Item 30 which is the number of months in the taxable year 1918 is of the number of months in the taxable year 1919 _____	3
2. War-profits and excess-profits tax (Item 3 plus Item 4) _____	4
3. Estimated tax (Item 3 plus Item 4) _____	5
4. Estimated tax for taxable year (Item 3 plus Item 4) _____	6
5. Balance on account of estimated tax (Items 3, 4, and 6) _____	7
6. Total War-Profits and Excess-Profit Tax (Item 5 plus Item 7) _____	8
7. Total tax (Item 9 plus Item 8) _____	9
8. Less total tax already paid for the fiscal year ended in 1918 _____	10
9. Balance on Tax _____	11
10. Tax paid (on estimation of tentative return (1918)) \$ 40,000.00	12
11. Tax paid (on return accompanying this return) \$ 32,588.27	13
12. Total \$ 72,588.27	14



## UNITED STATES VS. THE S. S. WHITE DENTAL MFG. CO. 15

## Page 2—Income Schedules

## SCHEDULE A—TAXABLE NET INCOME.

Note.—Instituted corporations, banks, insurance companies, and other corporations required to submit statements of income and expense to any national, State, municipal, or other authority may instead furnish of Schedule A a statement of all net income and expense in the form to which it is subject to such officer. In such case the taxable net income will be furnished by means of Schedule B with the net profit shown by the income and expense statement submitted, and should be entered at Item 7, Schedule 1, page 1.

## GROSS INCOME.

	7	874	712	51						
	5	552	526	56	a	561	254	56		
1. Gross sales, less returns and allowances, and other amounts received in payment of expenses, repairs, and other items called for separately										
2. Gross income from operations other than trading or manufacturing, less allowances (from Schedule A)						104	254	73		
3. Interest on obligations of the United States or its possessions not exempt (from Schedule A)						3	655	56		
4. Interest from other sources (from Schedule A)						11	416	06		
5. Rentals							328	00		
6. Royalties										
7. Dividends										
8. Share of net income earned since December 31, 1917, by personal service corporations (whether received or not)										
9. Profits in stock of foreign corporations (from Schedule A)										
10. Income from all other sources except dividends and including any amount in respect of issue of capital securities in connection with contracts—see Item 10, below (from Schedule A)										
11. Total, or Totals 1 to 10							2	750	502	60

## REDUCTIONS.

12. Ordinary and necessary expenses (except amounts reported in Item 8 above or called for separately above, and not including cost of issue of capital securities or dividends) incurred during the taxable year—see Item 21 (from Schedule A)						1	565	421	17		
13. Interest (except of indebtedness incurred or maintained to purchase or carry obligations or securities, other than obligations of the United States or its possessions, on which it wholly exempt from income tax)						20	750	00			
14. Taxes (including taxes on income, interest, dividends, etc., and taxes on property, whether or not there is a credit under Section 130, and have amounted against legal benefit of a kind tending to increase the value of the property taxed)						71	554	78			
15. Data unrelated to worthlessness and charged off within the taxable year						30	520	18			
16. Data unrelated to worthless and charged off within the taxable year						41	926	73			
17. Depreciation, wear and tear (including obsolescence) (from Schedule A)						128	128	49			
18. Amortization of war facilities (from Schedule A)											
19. Deduction (if deduction is claimed, Form A (revised) of Mines and Minerals Return should be obtained from the Collector, State Tax, and State)											
20. Total of Items 12 to 19							1	977	437	35	
21. DIFFERENCE BETWEEN ITEMS 11 AND 20							2	722	065	20	
22. Profit or loss on sale of capital assets and alienable business investments (from Schedule A)											
23. Losses sustained during the taxable year from fire, storm, or other casualty or by theft, not compensated for by insurance or otherwise (from Schedules 23 and 24)						110	764	56	320	754	24
24. PAYMENT FOR TAXABLE YEAR (total of difference between Items 20 and 23, last column) (to be entered at Item 7, Schedule 1, page 1)							2	662	330	91	

## SCHEDULE B—RECONCILIATION OF NET PROFIT PER BOOKS WITH TAXABLE NET INCOME.

1. Net profit per books, before any adjustments are made thereto	386	662	26	2. Neturable income:			
2. Bad debts:				(a) Interest or obligations of the United States and its possessions (to be detailed) . . . . .	1	365	82
(i) Doubtful accounts	12	220	52	(b) Interest on obligations of Puerto Rico, Territories, and political subdivisions thereof . . . . .			
(ii) Impairment of accounts or inventories due to the passage of time . . . . .	127	290	00	(c) Interest on Puerto Rican bonds issued under Federal Tax Law . . . . .			
(d) Special impairment losses . . . . .				(d) Dividends on stock of domestic corporations . . . . .			
(e) Fluctuation, gains, additions, or betterments—typed as expenses on the books . . . . .				(e) Dividends on stock of foreign corporations distributed out of pre-tax net profit prior to January 1, 1918 . . . . .			
(f) Replacements covered by depreciation . . . . .				(f) Other items of neturable income (to be detailed) . . . . .			
(g) Insurance premiums paid on life of any officer or employee, or on the life of any member of his family . . . . .				(g) . . . . .			
(h) Rent or hire (less accrued or required to perform) . . . . .				(h) . . . . .			
(i) Losses on sales of property, fixtures, equipment, and supplies . . . . .				(i) . . . . .			
(j) Additions to reserves for bad debts, contingencies, etc. (to be detailed) . . . . .	60	745	00	(j) . . . . .			
(k) Benefit or platinum credit to . . . . .				(k) . . . . .			
(l) Reserve for shrinkage of inventories . . . . .	124	874	07	(l) . . . . .			
(m) Bad debts . . . . .	751	23		(m) . . . . .			
(n) . . . . .				(n) . . . . .			
(o) . . . . .				(o) . . . . .			
(p) . . . . .				(p) . . . . .			
(q) . . . . .				(q) . . . . .			
(r) . . . . .				(r) . . . . .			
(s) . . . . .				(s) . . . . .			
3. Adjustment to reflect book profit or loss with the amounts reported in Schedule B (without entry values on line 7).				7. Amount of profit or deficit per books, with the amounts reported in Items 20 and 23, Schedule A (without entry values on line 7) . . . . .			
4. Total . . . . .	704	723	51	8. Taxable net income (Item 20, Schedule A) . . . . .			
				9. TOTAL . . . . .			

## SCHEDULE C—BALANCE SHEETS.

Attack hereto balance sheets as of the beginning and end of the taxable year (preferably in parallel columns), showing as nearly as practicable the details called for below:

## ASSETS (continued).

Deficiency charge to former operations		LIABILITIES	
Fixed assets		To offices and stations . . . . .	
Land		To others (including trust funds) . . . . .	
Buildings		Accrued expenses and reserves, etc., charges making state or other allocations from income (to be detailed) . . . . .	
Equipment		Reserves for losses on motor and marine vehicles . . . . .	
Office furniture		Reserves for contingencies, etc., the charges making state or other allocations from income (to be detailed) . . . . .	
Other assets		Capital stock outstanding (to be detailed) . . . . .	
Total assets		Surplus and undivided profits . . . . .	

A corporation having a net income of \$5,000 or more, which was in existence during at least one full previous year, should also attach to this return similar balance sheets (preferably in parallel columns) as of the beginning of its first full previous year and as of December 31, 1917.

## SCHEDULE D—ANALYSIS OF SURPLUS ACCOUNT.

Attack hereto an analysis of the corporation's surplus account, showing the details of all adjustments of surplus for the taxable year, as nearly as practicable in the following form:

- Deduct: 1. Dividends, state duty payable and amount of each, and whether in cash or stock.
2. Other credits to surplus (to be detailed).

3. Other credits to surplus (to be detailed).

4. Total of Items 1, 2, and 3.

A corporation having a net income of \$5,000 or more, which was in existence during at least one full previous year, should also attach to this return a similar analysis of its surplus account for its first full previous year and for each subsequent year down to the beginning of the taxable year.

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SCHEDULE A4 - Part 2.

Interest on First 3½ Liberty Loan	\$ 64.87
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SCHEDULE A5

Notes Receivable & Bank Deposits	\$ 11,416.06
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SCHEDULE A2.

Salaries	705,171.10
Traveler's Expenses	111,856.52
Advertising Expenses	223,662.86
Developments & Betterments (Mech. Experimental Expenses)	144,662.98
Freight, Express & Cartage	55,318.87
Insurance	15,145.19
Rents	72,201.54
Supplies	30,356.27
Interest & Discount Payable	98,541.20
Miscellaneous	177,938.95
Moving Expenses	<u>28,642.71</u>
Total	\$ 1,663,421.17

SCHEDULE A3.

Name	Duties	Time devoted to such duties	Shares of stock owned	Total Annual Compensation	Reasons for increases	
				1916	1917	1918
Frank H. Taylor, President	Entire		125	\$16,000.	\$16,000.	\$18,000. As agreed at time of em- ployment
Ewin T. Hinkson, Treasurer	"		115	8,000.	8,000.	8,000.
R. L. Vaill, Secretary	"		42	4,000.	4,333.33	4,750. N normal one
						<u>\$ 30,750.</u>

SCHEDULE A4.

Repairs to Buildings and Factory Equipment	\$ -
Twelfth St. Factory	2,002.27
Frankford	4,053.65
Staten Island	48,533.27
C & W Division Factory	6,647.64
Porcelain Tooth	1,060.51
Head Office - 211 South 12th Street	6,536.92
Philadelphia Retail Store	204.10
Atlanta	65.11
Chicago	246.17
New York	393.63
San Francisco	87.59
Boston	<u>354.75</u>
	\$ 72,266.01
Less Excess Credit to Reserve for Repairs	\$ 751.53
<u>L-S-O</u>	Total \$ 71,534.78

SCHEDULE A18.

(1)	(2)	(3)	(4)
(a) Character			
1. Buildings -			
2. 12th St. Factory	\$ 258,420.01	179,520.50	50 years
3. Frankford "	155,016.62	2,127.45	
4. Staten Island "	176,651.37	91,052.07	
5. Machinery & Equipment			10 years
6. 12th St. Factory	98,942.29	19,662.37	Transferred to Item 11
7. Frankford "	35,354.34	42,147.38	
8. Staten Island Factory	410,385.39	401,616.21	
10. C & M "	32,685.25	76,469.11	
11. Porcelain Tooth "	-	116,974.82	
12. Head Office and			
13. Philadelphia Store	64,315.54	105,323.06	
14. Atlanta Store	9,084.13	4,261.67	
15. Berlin "	6,784.01	2,848.83	Transferred
16. Boston "	7,487.30	1,067.90	
17. Chicago "	18,451.17	6,650.75	
18. Cincinnati "	9,074.56	2,500.23	Transferred to Item 13
19. Los Angeles Store	2,357.11	1,984.10	" " " 13
20. New Orleans "	4,215.40	8,290.02	" " " 13
21. New York "	17,275.38	3,450.89	
22. Rochester "	2,008.75	1,252.45	" " " 13
23. San Francisco "	5,572.89	8,211.14	
24. Toronto "	5,499.12	988.77	
Total	\$ 1,293,780.64	1,004,170.09	
(5)	(6)	(7)	(8)
1.			
2. \$ 457,940.51	( 18,030.06	10,446.33	415,455.18
3. 137,144.08	( 4,050.50	4,201.92	126,891.66
4. 266,503.44	( 5,732.44	7,261.97	256,509.03
7. 77,279.92	39,527.27	5,008.08	32,744.57
8. 80,501.72	25,964.51	6,402.84	50,134.37
9. 812,001.60	222,789.49	62,561.29	525,650.82
10. 109,354.36	22,386.70	9,145.79	51,532.49
11. 116,974.82	2,618.32	13,061.85	101,304.65
12.			
13. 167,638.60	52,332.07	13,928.46	101,378.07
14. 13,347.70	5,630.66	1,102.25	6,732.91
15. 3,935.18	-	-	3,935.18
16. 8,555.20	4,646.64	657.59	5,304.23
20. 101.92	7,351.45	1,761.26	9,092.71
18. 6,574.33	6,574.33	-	6,574.33
19. 403.01	403.01	-	403.01
20. 1,917.38	-	1,917.38	-
21. 20,726.27	8,209.89	1,702.67	9,912.56
22. 756.30	756.30	-	756.30
23. 11,784.03	4,411.65	892.19	5,303.64
24. 2,510.36	2,510.36	-	2,510.36
Total	2297,950.73	431,767.21	138,124.49
			569,891.70
			1,726,059.05

3-5-0

	Tangible Year 12/31/17 Beginning	12/31/18 End
<b>Assets</b>		
Cash	\$ 169,928.15	307,750.42
Trade Accounts & Notes Receivable	1,367,369.62	1,362,922.95
Accounts Payable Debit Balances	-	10,644.94
Inventories work in progress	860,167.40	860,887.53
Raw Materials	679,841.22	696,076.53
Finished Products	1,291,686.72	1,356,835.08
Pr. Metals Store	46,630.34	46,621.10
First Liberty Loan	1,447.33	1,447.33
Second " "	100,000.00	4,452.92
Third " "	-	106,480.00
Fourth " "	-	104,280.00
Boards Due, or Canada 6th Loan	-	600.00
Deferred charges to future operations	235,067.60	21,941.30
<b>Fixed Assets</b>	<b>\$14,057,375</b>	
Land	247,000.00	247,000.00
Buildings	705,714.99	639,588.03
Machinery	1,199,371.20	
Tools & Minor equip.	1,072,267.35	
Delivery equip.	1,199,371.20	
Office Furniture	Total	2,296,959.23
	<u>2,082,982.34</u>	
Less reserve for		
Depreciation	175,271.96	310,900.30
Net Value	1,847,710.38	1,976,058.05
Patents, good will, and other tangible assets:		
Paid for in cash or other tangible property	36,000.00	65,300.00
Investments Affiliate Companies	509,718.98	201,000.00
Total	<u>7,173,666.14</u>	<u>7,339,999.21</u>

0-5-9

## SCHEDULE Q.

	Taxable Year 12/31/17 Beginning	12/31/18 End
<b>Liabilities:</b>		
Notes Payable: To Others (Includ. Bank Loans)	\$ 990,000.00	\$ 760,000.00
Accounts Payable:		
Trade	139,248.39	90,192.22
Other	86,966.01	110,816.21
Accrued Taxes	40,519.98	157,168.50
Accrued Payroll	15,225.35	19,066.66
Miscellaneous Accruals	7,995.16	750.00
Reserve for losses on notes and accounts receivable	57,352.54	57,119.61
Reserves for Contingencies	100,000.00	100,000.00
" " Shrinkage in Inventories	-	124,974.02
" " Repairs	-	751.23
Mortgage Payable	6,000.00	-
Capital Stock Outstanding -		
Common	5,000,000.00	5,000,000.00
Surplus and Undivided Profits	\$ 730,399.71	\$ 919,060.76
<b>Total</b>	<b>\$ 7,173,566.14</b>	<b>\$ 7,359,899.21</b>

Q-5-L

Sheet 2.

SCHEDULE DFor Year 1914

Surplus at begin. of year per books		\$ 429,473.13
Add: Total net profit per books		76,452.62
Total		<u>505,925.95</u>
Deduct: Dividends as follows:		
Cash	Date Payable	Amount
"	May 1, 1914	75,000.00
"	Aug. 1, 1914	75,000.00
"	Nov. 1, 1914	25,000.00
"	Feb. 1, 1915	25,000.00
Surplus at end of year per books		<u>305,925.95</u>

For Year 1915

Surplus at begin. of year per books		\$ 305,925.95
Add: Total net profit per books		274,424.32
Total		<u>580,350.17</u>
Deduct: Dividends as follows:		
Cash	May 1, 1915	25,000.00
Trans. to Reserve for Bad Debts		50,000.00
Adjustments thru Surplus		5,866.24
Trans. to Reserve for Contingencies		100,000.00
Surplus at end of year per books		<u>399,488.94</u>

For Year 1916

Surplus at begin. of year per books		\$ 399,488.94
Add: Total net profit per books		362,585.39
Adjustments for year		10,236.27
Total		<u>772,305.60</u>
Deduct: Dividends as follows:		
Cash	Feb. 1, 1916	75,000.00
"	May 1, 1916	50,000.00
"	Aug. 1, 1916	50,000.00
"	Nov. 1, 1916	50,000.00
Surplus at end of year per books		<u>547,305.60</u>

For Year 1917

Surplus at begin. of year per books		\$ 547,305.60
Add: Total net profit per books		382,693.11
Total		<u>930,198.71</u>
Deduct: Dividends as follows:		
Cash	Feb. 1, 1917	50,000.00
"	May 1, 1917	50,000.00
"	Aug. 1, 1917	50,000.00
"	Nov. 1, 1917	50,000.00
		<u>200,000.00</u>
		\$ 730,198.71

10-5-0

DELIVER OR SEND  
THIS RETURN  
TO COLLECTOR OF  
INTERNAL REVENUE  
ON OR BEFORE  
MARCH 15, 1919  
  
IF EXTENSION OF  
TIME FOR FILING RETURN  
HAS BEEN GRANTED  
THE AUTHORIZATION  
MUST BE ATTACHED TO  
THIS RETURN

(Copy) *Assumed Name*  
Form 1100—UNITED STATES INTERNAL REVENUE SERVICE  
**CORPORATION INCOME AND PROFITS TAX RETURN**  
FOR CALENDAR YEAR 1918

Fiscal Period begun January 1, 1918, and ended December 31st, 1918

(Print plainly corporation's name and principal place of business)

The S. S. White Dental Mfg. Co.,  
211 South 12th Street,  
Philadelphia, Pennsylvania.

ON MY WORDS OF HONOR  
PROMISE  
I  
CRAVE  
I  
DO  
CERT. OF INC.  
(Corporation's Name)

*[Signature]*

**SCHEDULE I—NET INCOME**

ITEM	1918	1919	1920	1921
1. Net Income for Each Previous Year (as finally determined on income return)	\$ 456,626.53	\$ 317,729.76	\$ 171,472.36	
2. Plus amount of corporation which has paid in such year	4 579.48	6 406.96	5 127.46	
3. Total for 1918, 1919, and 1920	\$ 461,105.01	\$ 322,846.72	\$ 176,600.36	
4. Less dividends received in 1918				
5. Net Total for 1918				\$ 176,600.36
6. AVERAGE NET INCOME FOR PREVIOUS THREE YEARS (sum of Items 3 for 1918 and 1919 and Item 5 for 1918, divided by number of years)				\$ 171,946.37
7. Net Income and Taxable Year (Item 5, Schedule A, page 1)				\$ 176,600.36

**SCHEDULE II—INVESTED CAPITAL**

ITEM	1918	1919	1920	1921	TAXABLE YEAR	
1. Capital, surplus, and unearned profits at the close of the preceding year as shown by corporation's books before any payment or deduction therefrom (Schedule II)	\$ 8,650	\$ 492.56	\$ 724.379	\$ 742.119	77	\$ 926,480.79
2. Plus adjustments by way of additions (from Schedule II)						
3. Total	\$ 8,650	\$ 492.56	\$ 724.379	\$ 742.119	77	\$ 926,480.79
4. Less adjustments by way of deductions (from Schedule II)						
5. Balance	\$ 8,650	\$ 492.56	\$ 724.379	\$ 742.119	77	\$ 926,480.79
6. Plus or minus changes in invested capital during year (from Schedule II and 7)	\$ 9,061.20	\$ 1,056.42	\$ 792.20	\$ 797.16		
7. Less decrease in amount of undeductible assets (from Schedule II)						
8. Invested Capital for Each Year	\$ 942,554.52	\$ 724,436.42	\$ 742,915.35	\$ 742,915.35	77	\$ 926,480.79
9. AVERAGE INVESTED CAPITAL FOR PREVIOUS THREE YEARS (sum of Items 8 for 1918, 1919, and 1920 divided by number of years)						\$ 926,480.79
10. INVESTMENT OR DEBT IN INVESTED CAPITAL FOR TAXABLE YEAR AS COMPARED WITH AVERAGE INVESTED CAPITAL (Indicate excess by "+", less by "-")						\$ 263,560.87

**SCHEDULE III—EXCESS PROFITS AND WAR-PROFITS CREDITS**

(If this return is made for a period less than a full year, Items 8 and 9 must be reduced as provided in paragraph 1, page 1 of Instructions.)

ITEM	1918	1919	1920	1921	WAR-PROFITS CREDIT
1. Right per cent of invested capital for taxable year (Item 8, last column, Schedule II)	\$ 172.00	0.00	4. Average not less than 10% of decrease shown by (Item 8, Schedule II)	171.472.36	47.
2. Exemption (\$1,000)	2,000.00		4. Plus 10% of increase in amount of decrease shown by (Item 8, Schedule II)	24,586.39	
3. Excess-Profits Credit (Item 8 plus Item 2)	\$ 170,000.00		4. Total for 1918, 1919, and 1920 (Item 8, last column, Schedule II), whichever is larger	\$ 172,472.36	56.
4. Excess-Profits Credit (Item 8 plus Item 7)			5. Exemption (\$1,000)	2,000.00	
5. War-Profits Credit (Item 8 plus Item 7)			6. War-Profits Credit (Item 8 plus Item 7)	\$ 168,472.36	56.

**SCHEDULE IV—COMPUTATION OF TAXES**

WAR-PROFITS AND EXCESS-PROFITS TAX (Amounts in dollars).

(If this return is for a period less than a full year the invested capital must be reduced as provided in paragraph 1, page 1 of Instructions.)

ITEM	1. INVESTED CAPITAL	2. AMOUNT OF INVESTED CAPITAL ITEM 8, SCHEDULE II	3. EXCESS-PROFITS CREDIT ITEM 8, SCHEDULE II	4. BALANCE SUBJECT TO TAX ITEM 8, SCHEDULE II	5. RATE	6. AMOUNT IN TAX
1. Not over 20% of invested capital	\$ 172,472.36			\$ 132,997.48	10%	\$ 13,297.48
2. Over 20% of invested capital						
3. Total	\$ 172,472.36			\$ 132,997.48		\$ 13,297.48

WAR-PROFITS AND EXCESS-PROFITS TAX (Amounts in dollars).

4. Net income for taxable year (Item 7, Schedule II)	\$ 172,472.36	2. Right per cent of Item 6	\$ 35,488.72	
5. Less amount of war-profit credit (Item 8, Schedule II)	\$ 575,486.39	2. Plus 10% of Item 6 (if Item 6 is larger, make no entry)	\$ 60,049.38	
6. Less amount of war-profit credit (Item 8, Schedule II)	\$ 400,000.00	3. Tax of \$100 per \$1000 of Item 6 (if Item 6 is larger, make no entry)	0	
7. Balance	\$ 44,400.16	4. Total tax (Items 2, 3, and 5)	\$ 60,049.38	
8. TOTAL WAR-PROFITS AND EXCESS-PROFITS TAX AS COMPUTED UNDER SECTION 860 (a) (Item 3 minus 6 plus Item 7)		5. Tax of \$100 per \$1000 of Item 6 (if Item 6 is larger, make no entry)		
9. TOTAL WAR-PROFITS AND EXCESS-PROFITS TAX, AS COMPUTED UNDER SECTION 860, 861, 862, 863 (a) (Item 3 minus 6 plus Item 7, paragraph 6 and 7).		6. Tax of \$100 per \$1000 of Item 6 (if Item 6 is larger, make no entry)		

ITEM	1. INVESTED CAPITAL	2. AMOUNT OF INVESTED CAPITAL ITEM 8, SCHEDULE II	3. EXCESS-PROFITS CREDIT ITEM 8, SCHEDULE II	4. BALANCE SUBJECT TO TAX ITEM 8, SCHEDULE II	5. RATE	6. AMOUNT IN TAX
10. Net income for taxable year (Item 7, Schedule II)	\$ 172,472.36					
11. Net amount of investment in business (Item 1, Schedule I, page 1)	\$ 3,068.00					
12. Weighted average rate of interest (Item 11, Schedule I, page 1)	4.5%					
13. Excess-profits (20,000 million dollars) subject to tax (Item 11, Schedule I, page 1)	\$ 45,000.00					
14. Balance (Item 10 minus Item 13)	\$ 127,472.36					
15. Investment in business (Item 11, Schedule I, page 1)	\$ 3,068.00					
16. Weighted average rate of interest (Item 11, Schedule I, page 1)	4.5%					
17. Excess-profits (20,000 million dollars) subject to tax (Item 11, Schedule I, page 1)	\$ 45,000.00					
18. Balance (Item 15 minus Item 17)	\$ 82,472.36					
19. Investment in business (Item 11, Schedule I, page 1)	\$ 3,068.00					
20. Weighted average rate of interest (Item 11, Schedule I, page 1)	4.5%					
21. Excess-profits (20,000 million dollars) subject to tax (Item 11, Schedule I, page 1)	\$ 45,000.00					
22. Balance (Item 19 minus Item 21)	\$ 37,472.36					
23. Investment in business (Item 11, Schedule I, page 1)	\$ 3,068.00					
24. Weighted average rate of interest (Item 11, Schedule I, page 1)	4.5%					
25. Excess-profits (20,000 million dollars) subject to tax (Item 11, Schedule I, page 1)	\$ 45,000.00					
26. Balance (Item 23 minus Item 25)	\$ 32,472.36					
27. Investment in business (Item 11, Schedule I, page 1)	\$ 3,068.00					
28. Weighted average rate of interest (Item 11, Schedule I, page 1)	4.5%					
29. Excess-profits (20,000 million dollars) subject to tax (Item 11, Schedule I, page 1)	\$ 45,000.00					
30. Balance (Item 27 minus Item 29)	\$ 27,472.36					
31. Investment in business (Item 11, Schedule I, page 1)	\$ 3,068.00					
32. Weighted average rate of interest (Item 11, Schedule I, page 1)	4.5%					
33. Excess-profits (20,000 million dollars) subject to tax (Item 11, Schedule I, page 1)	\$ 45,000.00					
34. Balance (Item 31 minus Item 33)	\$ 22,472.36					
35. Investment in business (Item 11, Schedule I, page 1)	\$ 3,068.00					
36. Weighted average rate of interest (Item 11, Schedule I, page 1)	4.5%					
37. Excess-profits (20,000 million dollars) subject to tax (Item 11, Schedule I, page 1)	\$ 45,000.00					
38. Balance (Item 35 minus Item 37)	\$ 17,472.36					
39. Investment in business (Item 11, Schedule I, page 1)	\$ 3,068.00					
40. Weighted average rate of interest (Item 11, Schedule I, page 1)	4.5%					
41. Excess-profits (20,000 million dollars) subject to tax (Item 11, Schedule I, page 1)	\$ 45,000.00					
42. Balance (Item 39 minus Item 41)	\$ 12,472.36					
43. Investment in business (Item 11, Schedule I, page 1)	\$ 3,068.00					
44. Weighted average rate of interest (Item 11, Schedule I, page 1)	4.5%					
45. Excess-profits (20,000 million dollars) subject to tax (Item 11, Schedule I, page 1)	\$ 45,000.00					
46. Balance (Item 43 minus Item 45)	\$ 7,472.36					
47. Investment in business (Item 11, Schedule I, page 1)	\$ 3,068.00					
48. Weighted average rate of interest (Item 11, Schedule I, page 1)	4.5%					
49. Excess-profits (20,000 million dollars) subject to tax (Item 11, Schedule I, page 1)	\$ 45,000.00					
50. Balance (Item 47 minus Item 49)	\$ 2,472.36					
51. Investment in business (Item 11, Schedule I, page 1)	\$ 3,068.00					
52. Weighted average rate of interest (Item 11, Schedule I, page 1)	4.5%					
53. Excess-profits (20,000 million dollars) subject to tax (Item 11, Schedule I, page 1)	\$ 45,000.00					
54. Balance (Item 51 minus Item 53)	\$ 1,472.36					
55. Investment in business (Item 11, Schedule I, page 1)	\$ 3,068.00					
56. Weighted average rate of interest (Item 11, Schedule I, page 1)	4.5%					
57. Excess-profits (20,000 million dollars) subject to tax (Item 11, Schedule I, page 1)	\$ 45,000.00					
58. Balance (Item 55 minus Item 57)	\$ 1,472.36					
59. Investment in business (Item 11, Schedule I, page 1)	\$ 3,068.00					
60. Weighted average rate of interest (Item 11, Schedule I, page 1)	4.5%					
61. Excess-profits (20,000 million dollars) subject to tax (Item 11, Schedule I, page 1)	\$ 45,000.00					
62. Balance (Item 59 minus Item 61)	\$ 1,472.36					
63. Investment in business (Item 11, Schedule I, page 1)	\$ 3,068.00					
64. Weighted average rate of interest (Item 11, Schedule I, page 1)	4.5%					
65. Excess-profits (20,000 million dollars) subject to tax (Item 11, Schedule I, page 1)	\$ 45,000.00					
66. Balance (Item 63 minus Item 65)	\$ 1,472.36					
67. Investment in business (Item 11, Schedule I, page 1)	\$ 3,068.00					
68. Weighted average rate of interest (Item 11, Schedule I, page 1)	4.5%					
69. Excess-profits (20,000 million dollars) subject to tax (Item 11, Schedule I, page 1)	\$ 45,000.00					
70. Balance (Item 67 minus Item 69)	\$ 1,472.36					
71. Investment in business (Item 11, Schedule I, page 1)	\$ 3,068.00					
72. Weighted average rate of interest (Item 11, Schedule I, page 1)	4.5%					
73. Excess-profits (20,000 million dollars) subject to tax (Item 11, Schedule I, page 1)	\$ 45,000.00					
74. Balance (Item 71 minus Item 73)	\$ 1,472.36					
75. Investment in business (Item 11, Schedule I, page 1)	\$ 3,068.00					
76. Weighted average rate of interest (Item 11, Schedule I, page 1)	4.5%					
77. Excess-profits (20,000 million dollars) subject to tax (Item 11, Schedule I, page 1)	\$ 45,000.00					
78. Balance (Item 75 minus Item 77)	\$ 1,472.36					
79. Investment in business (Item 11, Schedule I, page 1)	\$ 3,068.00					
80. Weighted average rate of interest (Item 11, Schedule I, page 1)	4.5%					
81. Excess-profits (20,000 million dollars) subject to tax (Item 11, Schedule I, page 1)	\$ 45,000.00					
82. Balance (Item 79 minus Item 81)	\$ 1,472.36					
83. Investment in business (Item 11, Schedule I, page 1)	\$ 3,068.00					
84. Weighted average rate of interest (Item 11, Schedule I, page 1)	4.5%					
85. Excess-profits (20,000 million dollars) subject to tax (Item 11, Schedule I, page 1)	\$ 45,000.00					
86. Balance (Item 83 minus Item 85)	\$ 1,472.36					
87. Investment in business (Item 11, Schedule I, page 1)	\$ 3,068.00					
88. Weighted average rate of interest (Item 11, Schedule I, page 1)	4.5%					
89. Excess-profits (20,000 million dollars) subject to tax (Item 11, Schedule I, page 1)	\$ 45,000.00					
90. Balance (Item 87 minus Item 89)	\$ 1,472.36					
91. Investment in business (Item 11, Schedule I, page 1)	\$ 3,068.00					
92. Weighted average rate of interest (Item 11, Schedule I, page 1)	4.5%					
93. Excess-profits (20,000 million dollars) subject to tax (Item 11, Schedule I, page 1)	\$ 45,000.00					
94. Balance (Item 91 minus Item 93)	\$ 1,472.36					
95. Investment in business (Item 11, Schedule I, page 1)	\$ 3,068.00					
96. Weighted average rate of interest (Item 11, Schedule I, page 1)	4.5%					
97. Excess-profits (20,000 million dollars) subject to tax (Item 11, Schedule I, page 1)	\$ 45,000.00					
98. Balance (Item 95 minus Item 97)	\$ 1,472.36					
99. Investment in business (Item 11, Schedule I, page 1)	\$ 3,068.00					
100. Weighted average rate of interest (Item 11, Schedule I, page 1)	4.5%					
101. Excess-profits (20,000 million dollars) subject to tax (Item 11, Schedule I, page 1)	\$ 45,000.00					
102. Balance (Item 99 minus Item 101)	\$ 1,472.36					
103. Investment in business (Item 11, Schedule I, page 1)	\$ 3,068.00					
104. Weighted average rate of interest (Item 11, Schedule I, page 1)	4.5%					
105. Excess-profits (20,000 million dollars) subject to tax (Item 11, Schedule I, page 1)	\$ 45,000.00					
106. Balance (Item 103 minus Item 105)	\$ 1,472.36					
107. Investment in business (Item 11, Schedule I, page 1)	\$ 3,068.00					
108. Weighted average rate of interest (Item 11, Schedule I, page 1)	4.5%					
109. Excess-profits (20,000 million dollars) subject to tax (Item 11, Schedule I, page 1)	\$ 45,000.00					
110. Balance (Item 107 minus Item 109)	\$ 1,472.36					
111. Investment in business (Item 11, Schedule I, page 1)	\$ 3,068.00					
112. Weighted average rate of interest (Item 11, Schedule I, page 1)	4.5%					
113. Excess-profits (20,000 million dollars) subject to tax (Item 11, Schedule I, page 1)	\$ 45,000.00					
114. Balance (Item 111 minus Item 113)	\$ 1,472.36					
115. Investment in business (Item 11, Schedule I, page 1)	\$ 3,068.00					
116. Weighted average rate of interest (Item 11, Schedule I, page 1)	4.5%					
11						



## Page 2—Income Schedules

## SCHEDULE A—TAXABLE NET INCOME.

Items other than interest earned or dividends received by a corporation in respect of its capital stock or paid-in capital, or other items of income and expense in the form in which deducted by such officer. In such case the taxable net income will be determined by means of Schedule D with the net profit shown by the income and expense statement attached, and should be entered as Item 7, Schedule I, page 1.

## GROSS PROFIT:

1. Gross sales, less returns and allowances	\$ 7	872	712	81						
Less cost of goods sold, exclusive of expenses, repairs, and other items called for separately	8	272	228	28	2	581	384	25		
Total (Item 1 minus Item 8)										
1. Gross income from operations other than trading or manufacturing, less allowances (from Schedule A)							104	234	73	
4. Interest on obligations of the United States or its possessions not exempt (from Schedule A)							2	248	56	
4. Interest from other sources (from Schedule A)							11	416	06	
2. Net loss							289	00		
2. Net loss							289	00		
3. Net loss of net income earned since December 31, 1951, by personal service corporations (whether received or not)										
3. Dividends on stock of domestic corporations (from Schedule A)										
3. Dividends on stock of foreign corporations (not including any amount in respect of sales of capital assets or other amounts in respect thereof—see Item 20, below) (from Schedule A)										
3. Total (Items 1 to 10)							2	750	508	50

## INSTRUCTIONS:

11. Ordinary and necessary expenses (amounts reported by Page 2 above or called for separately below, and not included in any of the following items of expense) (from Schedule A)					1	582	498	25
12. Acquisition of stocks (including mining claims, concessions, and other properties) in whatever form paid (from Schedule A)					20	750	508	50
13. Acquisition of other (including mining claims, concessions, and other properties) in whatever form paid (from Schedule A)					21	554	478	
14. Depreciation (including labor, supplies, overhead, and other items properly chargeable to repair) (from Schedule A)					22	561	20	
15. Interest (amount of indebtedness incurred or continued to purchase or carry obligations, other than obligations of the United States issued after December 31, 1951, the interest on which is wholly except from taxable tax)					23	588	18	
16. Taxes (amount of taxes imposed on the value of property or on the value of a local measure to increase the value of the property assessed)					24	588	18	
17. Sales restricted to the creation and disposal of which is taxable year					25	588	18	
18. Education, wear and tear (including depreciation) (from Schedule A)					26	588	18	
19. Acquisition of war facilities (from Schedule A)					27	588	18	
20. Depreciation (if depreciation is claimed, Form A (revised) of Mines and Minerals Return should be claimed from the Collector, State, or, if applicable, the Commissioner of Internal Revenue)					28	588	18	
21. Taxes on Items 19 to 28					29	979	861	74
22. Insurance Reserve (Item 19 to 28)					30	770	650	56
23. Profits or loss on sales of capital assets and intangible investments (from Schedule A)					31	180	764	54
24. Losses sustained during the taxable year from any store, or other property, other than stocks, bonds, and investments for tax purposes (from Schedule A) (added to last column net total of Items 23 and 30)					32	180	764	54
25. Net Income for TAXABLE YEAR (total of difference between Items 22 and 23, less column 31) (to be entered as Item 7, Schedule I, page 1)					33	588	508	50

## SCHEDULE B—RECONCILIATION OF NET PROFIT PER BOOKS WITH TAXABLE NET INCOME.

1. Net profit for your books, before any adjustments are made (checkmark)	\$ 643	240	39	0	5. Reimbursable income:	
2. Deductible deductions:					(a) Interest on obligations of the United States and its possessions, other than obligations of States, Territories, and political subdivisions thereof	
(b) Depreciation, amortization, and contributions	18	010	41		(b) Interest on obligations of States, Territories, and political subdivisions thereof	
(c) Interest on notes and accounts of a bona fide creditor to the corporation, or to a foreign entity	20	556	82	(c) Interest on Foreign Bonds issued under Federal Reserve Act		
(d) World Improvement taxes				(d) Dividends on stock of domestic corporations		
(e) Furniture and fixtures, equipment, or improvements thereto as reported on the books				(e) Dividends on stock of foreign corporations declared valid or deductible prior to January 1, 1951		
(f) Payments covered by depreciation				(f) Other forms of reimbursable income (to be detailed)		
(g) Insurance premiums paid on the title of any officer or employee of the corporation or his dependents or beneficiaries				(g) _____		
(h) Interest on obligations of the United States issued after December 31, 1951, the interest on which is wholly except from taxable tax				(h) _____		
(i) Interest on obligations of the United States issued after December 31, 1951, the interest on which is wholly except from taxable tax				(i) _____		
(j) Allowances for bad debts, contingencies, etc. (to be detailed)				(j) _____		
(k) _____				(k) _____		
(l) _____				(l) _____		
(m) _____				(m) _____		
(n) Other unreimbursable deductions (to be detailed)				(n) _____		
(o) _____				(o) _____		
5. Reimbursable income (to be detailed)				(p) _____		
6. Deductible changes to former operations:				(q) _____		
Fixed assets:				(r) _____		
Land				(s) _____		
Buildings				(t) _____		
Equipment				(u) _____		
Furniture and fixtures				(v) _____		
Lessors' property				(w) _____		
Lessors' fixtures				(x) _____		
Lessors' equipment				(y) _____		
Lessors' leasehold improvements				(z) _____		
Lessors' other property				(aa) _____		
Lessors' fixtures				(bb) _____		
Lessors' equipment				(cc) _____		
Lessors' leasehold improvements				(dd) _____		
Lessors' other property				(ee) _____		
Lessors' fixtures				(ff) _____		
Lessors' equipment				(gg) _____		
Lessors' leasehold improvements				(hh) _____		
Lessors' other property				(ii) _____		
Lessors' fixtures				(jj) _____		
Lessors' equipment				(kk) _____		
Lessors' leasehold improvements				(ll) _____		
Lessors' other property				(mm) _____		
Lessors' fixtures				(nn) _____		
Lessors' equipment				(oo) _____		
Lessors' leasehold improvements				(pp) _____		
Lessors' other property				(qq) _____		
Lessors' fixtures				(rr) _____		
Lessors' equipment				(ss) _____		
Lessors' leasehold improvements				(tt) _____		
Lessors' other property				(uu) _____		
Lessors' fixtures				(vv) _____		
Lessors' equipment				(ww) _____		
Lessors' leasehold improvements				(xx) _____		
Lessors' other property				(yy) _____		
Lessors' fixtures				(zz) _____		
Lessors' equipment				(aa) _____		
Lessors' leasehold improvements				(bb) _____		
Lessors' other property				(cc) _____		
Lessors' fixtures				(dd) _____		
Lessors' equipment				(ee) _____		
Lessors' leasehold improvements				(ff) _____		
Lessors' other property				(gg) _____		
Lessors' fixtures				(hh) _____		
Lessors' equipment				(ii) _____		
Lessors' leasehold improvements				(jj) _____		
Lessors' other property				(kk) _____		
Lessors' fixtures				(ll) _____		
Lessors' equipment				(mm) _____		
Lessors' leasehold improvements				(nn) _____		
Lessors' other property				(oo) _____		
Lessors' fixtures				(pp) _____		
Lessors' equipment				(qq) _____		
Lessors' leasehold improvements				(rr) _____		
Lessors' other property				(uu) _____		
Lessors' fixtures				(vv) _____		
Lessors' equipment				(ww) _____		
Lessors' leasehold improvements				(xx) _____		
Lessors' other property				(yy) _____		
Lessors' fixtures				(zz) _____		
Lessors' equipment				(aa) _____		
Lessors' leasehold improvements				(bb) _____		
Lessors' other property				(cc) _____		
Lessors' fixtures				(dd) _____		
Lessors' equipment				(ee) _____		
Lessors' leasehold improvements				(ff) _____		
Lessors' other property				(gg) _____		
Lessors' fixtures				(hh) _____		
Lessors' equipment				(ii) _____		
Lessors' leasehold improvements				(jj) _____		
Lessors' other property				(kk) _____		
Lessors' fixtures				(ll) _____		
Lessors' equipment				(mm) _____		
Lessors' leasehold improvements				(nn) _____		
Lessors' other property				(oo) _____		
Lessors' fixtures				(pp) _____		
Lessors' equipment				(qq) _____		
Lessors' leasehold improvements				(rr) _____		
Lessors' other property				(uu) _____		
Lessors' fixtures				(vv) _____		
Lessors' equipment				(ww) _____		
Lessors' leasehold improvements				(xx) _____		
Lessors' other property				(yy) _____		
Lessors' fixtures				(zz) _____		
Lessors' equipment				(aa) _____		
Lessors' leasehold improvements				(bb) _____		
Lessors' other property				(cc) _____		
Lessors' fixtures				(dd) _____		
Lessors' equipment				(ee) _____		
Lessors' leasehold improvements				(ff) _____		
Lessors' other property				(gg) _____		
Lessors' fixtures				(hh) _____		
Lessors' equipment				(ii) _____		
Lessors' leasehold improvements				(jj) _____		
Lessors' other property				(kk) _____		
Lessors' fixtures				(ll) _____		
Lessors' equipment				(mm) _____		
Lessors' leasehold improvements				(nn) _____		
Lessors' other property				(oo) _____		
Lessors' fixtures				(pp) _____		
Lessors' equipment				(qq) _____		
Lessors' leasehold improvements				(rr) _____		
Lessors' other property				(uu) _____		
Lessors' fixtures				(vv) _____		
Lessors' equipment				(ww) _____		
Lessors' leasehold improvements				(xx) _____		
Lessors' other property				(yy) _____		
Lessors' fixtures				(zz) _____		
Lessors' equipment				(aa) _____		
Lessors' leasehold improvements				(bb) _____		
Lessors' other property				(cc) _____		
Lessors' fixtures				(dd) _____		
Lessors' equipment				(ee) _____		
Lessors' leasehold improvements				(ff) _____		
Lessors' other property				(gg) _____		
Lessors' fixtures				(hh) _____		
Lessors' equipment				(ii) _____		
Lessors' leasehold improvements				(jj) _____		
Lessors' other property				(kk) _____		
Lessors' fixtures				(ll) _____		
Lessors' equipment				(mm) _____		
Lessors' leasehold improvements				(nn) _____		
Lessors' other property				(oo) _____		
Lessors' fixtures				(pp) _____		
Lessors' equipment				(qq) _____		
Lessors' leasehold improvements				(rr) _____		
Lessors' other property				(uu) _____		
Lessors' fixtures				(vv) _____		
Lessors' equipment				(ww) _____		
Lessors' leasehold improvements				(xx) _____		
Lessors' other property				(yy) _____		
Lessors' fixtures				(zz) _____		
Lessors' equipment				(aa) _____		
Lessors' leasehold improvements				(bb) _____		
Lessors' other property				(cc) _____		
Lessors' fixtures				(dd) _____		
Lessors' equipment				(ee) _____		
Lessors' leasehold improvements				(ff) _____		
Lessors' other property				(gg) _____		
Lessors' fixtures				(hh) _____		
Lessors' equipment				(ii) _____		
Lessors' leasehold improvements				(jj) _____		
Lessors' other property				(kk) _____		
Lessors' fixtures				(ll) _____		
Lessors' equipment				(mm) _____		
Lessors' leasehold improvements				(nn) _____		
Lessors' other property				(oo) _____		
Lessors' fixtures				(pp) _____		
Lessors' equipment				(qq) _____		
Lessors' leasehold improvements				(rr) _____		
Lessors' other property				(uu) _____		
Lessors' fixtures				(vv) _____		
Lessors' equipment				(ww) _____		
Lessors' leasehold improvements				(xx) _____		
Lessors' other property				(yy) _____		
Lessors' fixtures				(zz) _____		
Lessors' equipment				(aa) _____		
Lessors' leasehold improvements				(bb) _____		
Lessors' other property				(cc) _____		
Lessors' fixtures				(dd) _____		
Lessors' equipment				(ee) _____		
Lessors' leasehold improvements				(ff) _____		
Lessors' other property				(gg) _____		
Lessors' fixtures				(hh) _____		
Lessors' equipment				(ii) _____		
Lessors' leasehold improvements				(jj) _____		
Lessors' other property				(kk) _____		
Lessors' fixtures				(ll) _____		
Lessors' equipment				(mm) _____		
Lessors' leasehold improvements				(nn) _____		
Lessors' other property				(oo) _____		
Lessors' fixtures				(pp) _____		
Lessors' equipment				(qq) _____		
Lessors' leasehold improvements				(rr) _____		
Lessors' other property				(uu) _____		
Lessors' fixtures				(vv) _____		
Lessors' equipment				(ww) _____		
Lessors' leasehold improvements				(xx) _____		
Lessors' other property				(yy) _____		
Lessors' fixtures				(zz) _____		
Lessors' equipment				(aa) _____		
Lessors' leasehold improvements				(bb) _____		
Lessors' other property				(cc) _____		
Lessors' fixtures				(dd) _____		
Lessors' equipment				(ee) _____		
Lessors' leasehold improvements				(ff) _____		
Lessors' other property				(gg) _____		
Lessors' fixtures				(hh) _____		
Lessors' equipment				(ii) _____		
Lessors' leasehold improvements				(jj) _____		
Lessors' other property				(kk) _____		
Lessors' fixtures				(ll) _____		
Lessors' equipment				(mm) _____		
Lessors' leasehold improvements				(nn) _____		
Lessors' other property				(oo) _____		
Lessors' fixtures				(pp) _____		
Lessors' equipment				(qq) _____		
Lessors' leasehold improvements				(rr) _____		
Lessors' other property				(uu) _____		
Lessors' fixtures				(vv) _____		
Lessors' equipment				(ww) _____		
Lessors' leasehold improvements				(xx) _____		
Lessors' other property				(yy) _____		
Lessors' fixtures				(zz) _____		
Lessors' equipment				(aa) _____		
Lessors' leasehold improvements				(bb) _____		
Lessors' other property				(cc) _____	</	

## Page 5-Invested Capital Schedules—Continued

## SCHEDULE G—ADJUSTMENTS BY WAY OF DEDUCTIONS (Continued).

	1911	1912	1913	1914	TAXABLE YEAR
1. Valuation of inventories, except supplies or services, paid out, warehouse, transportation, insurance, or other principles property					
2. Valuation of tangible property paid in stock					
3. Stock returned to the corporation as a gift, etc.					
4. Valuation of assets acquired in reorganization					
5. Appreciation					
6. Depreciation and depletion					
7. _____					
8. _____					
9. TOTAL DEDUCTIONS					

## SCHEDULE H—CHANGES IN INVESTED CAPITAL DURING TAXABLE YEAR.

1. Change in invested capital during the taxable year ordinarily arises in one or more of the following ways:
- (a) Adjustment by reason of the sale of capital stock or the loss of capital stock for tangible or other assets.
  - (b) Liquidation of part of the capital by retirement of stock or purchase of treasury stock.
  - (c) Payment of cash dividends out of earnings of prior years.
  - (d) Deflection of the amount of Federal income and excess profits taxes by the payment of dividends by stockholders, or creation of paid-in surplus by contribution of net distributions, or otherwise, whether such item represents an addition or a deduction.

2. Return dividends paid out of profits of prior years but not dividends paid out of profits of the taxable year, if any, day of distribution made during the first 60 days of the taxable year shall be deemed to have been made from earnings or profits accumulated during preceding taxable years; but any distribution made during the remainder of the taxable

year shall be deemed to have been made in full from the profits for that year to the extent of such distribution.

3. If stock is issued for cash, the actual cash received (but not the amount of dividends) should be entered in this column. (An adjustment claim could be filed in regard thereto under section 11(b)(2) of the Act.)

4. The amount of Federal income and excess profits tax paid should be entered as of the date when due and payable unless otherwise shown by the date of payment.

5. If capital stock of the corporation is recognized but not paid for out of corporate profits, the cost of each share should be deducted from invested capital.

6. If capital stock of the corporation is not recognized but is held for distribution, enter that column II and 4 are applicable only to the items of recapitalization of the corporation stock.

7. In Column 5 enter the number of days remaining in the taxable year (including the date of change).

8. The net changes, if any, in accordance with the increases or decreases reflected in the balance sheet, should be fully reconciled therewith.

L. HISTORY OF ADDITIONS AND DEDUCTIONS.	E. DATE.	3. NUMBER OF SHARES ISSUED OR RETIRED.	4. DIVIDEND RETIREMENT OR PURCHASE OF STOCK.	5. AMOUNT OF CAPITAL INVESTED OR DEFLECTED BY PAYMENT OF DIVIDENDS OR PURCHASE OF STOCK.	6. NUMBER OF SHARES ISSUED.	7. AMOUNT OF CAPITAL INVESTED BY PURCHASE OF STOCK.
1. Dividends	2/1/10			\$0,000.00	336	45,750.42
2. Income Tax	4/15/10			26,556.82	200	14,000.00
3. _____				70,600.00		23,757.42
4. _____						
5. _____						
6. _____						
7. _____						
8. _____						
9. _____						

## SCHEDULE J—CHANGES IN INVESTED CAPITAL DURING PREWAR YEARS.

(Compute the net addition or reduction separately for each year. See instructions under Schedule E.)

L. HISTORY OF ADDITIONS AND DEDUCTIONS.	E. DATE.	3. NUMBER OF SHARES ISSUED OR RETIRED.	4. DIVIDEND RETIREMENT OR PURCHASE OF STOCK.	5. AMOUNT OF CAPITAL INVESTED OR DEFLECTED BY PAYMENT OF DIVIDENDS OR PURCHASE OF STOCK.	6. NUMBER OF SHARES ISSUED.	7. AMOUNT OF CAPITAL INVESTED BY PURCHASE OF STOCK.
1. Dividends	2/1/11			\$0,000.00	31	4,000.00
2. Income Tax	4/30/11			4,000.00	184	2,000.00
3. _____						4,000.00
4. _____						
5. Dividends	2/1/12			\$0,000.00	31	4,000.00
6. Income Tax	4/30/12			4,000.00	184	2,000.00
7. _____						4,000.00
8. _____						
9. Dividends	2/1/13			\$0,000.00	31	4,000.00
10. Income Tax	4/30/13			4,000.00	184	2,000.00
11. _____						4,000.00
12. _____						
13. _____						
14. _____						

## SCHEDULE K—CHANGES IN INVESTED CAPITAL FROM END OF PREWAR PERIOD TO BEGINNING OF TAXABLE YEAR, NOT SHOWN IN SCHEDULE J.

(See instructions under Schedule H, as far as applicable.)

L. HISTORY OF ADDITIONS AND DEDUCTIONS.	E. DATE.	3. NUMBER OF SHARES ISSUED OR RETIRED.	4. DIVIDEND RETIREMENT OR PURCHASE OF STOCK.	5. AMOUNT OF CAPITAL INVESTED OR DEFLECTED BY PAYMENT OF DIVIDENDS OR PURCHASE OF STOCK.	6. NUMBER OF SHARES ISSUED.	7. AMOUNT OF CAPITAL INVESTED BY PURCHASE OF STOCK.
1. _____						
2. _____						
3. _____						
4. _____						
5. _____						
6. _____						
7. _____						
8. _____						
9. _____						
10. _____						
11. _____						
12. _____						
13. _____						
14. _____						
15. _____						
16. _____						
17. _____						
18. _____						
19. _____						
20. _____						
21. _____						
22. _____						
23. _____						
24. _____						
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Page 3—Income Schedules—Concluded  
SCHEDULES SUPPORTING SCHEDULE A

The schedules called for below should be prepared and firmly stapled to this return. Designate each schedule with the number of the item in Schedule A which it explains. Make schedules on paper of uniform size so far as practicable. In the space provided for the purpose on page 6 list all schedules attached to this return, giving the title and schedule number of each.

**SCHEDULE A3: COST OF GOODS SOLD, EXCLUSIVE OF EXPENSES, REPAIRS, AND OTHER ITEMS CALLED FOR SEPARATELY.**

In support of Item 3, Schedule A, corporations engaged in manufacturing or trading operations should attach to this return, in reasonable detail, the cost of goods sold. This statement should include, first, the following items but should not include any expense incurred for separately to be included in Schedule A:

1. Inventories at beginning of period (to be reconciled with balance sheet).
2. Purchases during period.
3. Labor and wages ordinarily charged to manufacturing cost on the corporation's books, showing the principal items separately.
4. Other expenses ordinarily charged to manufacturing cost on the corporation's books. (State separately large and unusual items.)
5. Total.

**Schedule A4: INVENTORIES AT close of period (to be reconciled with balance sheet).**

Cost of goods sold (Item 4 less Item 5).

Note.—Inventories should be valued at (a) cost or (b) net or market, whichever is lower; provided, however, that whichever basis was adopted by a taxpayer for the taxable year 1917 need not be continued unless upon application to the Commissioner of Internal Revenue it is granted to change. If basis (b) is used it must be applied to each item in the inventory and not to a part only. It should be shown in a logical manner, so that it can readily be determined whether the basis is the same as that of the preceding years of the taxpayer. (See Articles 1841 to 1847 of Regulations No. 48.)

Note here if any of the above-mentioned bases for valuing inventories is used in this return.

**SCHEDULE A5: GROSS INCOME FROM OPERATIONS OTHER THAN TRADE OR MANUFACTURING, LESS ALLOWANCES.**

Submit a schedule showing the nature and amount of the principal items included in Item 5, Schedule A.

Life insurance companies should enter on Item 5, Schedule A, the total premiums received from policyholders less such portion thereof as have been paid back or credited to, or used as an adjustment of, previous year, less such policyholders within the taxable year (Article 441 and 457 of Regulations No. 48).

Interest on bonds and notes should report as Item 5, Schedule A, the gross premium received and retained by them less amounts paid for redemption.

**SCHEDULE A6: INTEREST ON OBLIGATIONS OF UNITED STATES OR ITS PARTNERSHIP NOT EXEMPT.**

Note in table below the maximum amount of Liberty Bonds and other obligations of the United States issued since September 24, 1917 (at par value) held at any one time, from which interest was derived during the taxable year:

Class of Obligation	Maximum Amount of Obligation	Maximum Interest
No. 1: Liberty Bonds reported from August 1, 1917, to December 31, 1917, including interest accrued thereon.	\$10,000	1% maximum.
No. 2: No. 1 bonds, Liberty Bonds converted into New Liberty Bonds.	\$10,000	1% maximum.
A: New Liberty Bonds converted into Bonds.	\$10,000	1% maximum.
B: Bonds.	\$10,000	1% maximum.
C: New obligations issued since September 24, 1917.	\$10,000	1% maximum.

Note.—This obligation as to Items 4 and 15 (maximum \$10,000) is limited to one and one-half times the amount of bonds of the Fourth Liberty Loan originally subscribed to and held. State that amount here. \$.

In order to ascertain the amount to be entered as Item 4, Schedule A, refer to the table above.

If the amounts entered in column 3 of the table for any class of obligations exceed the maximum amount of the same class of obligations plus any part of the \$10,000 maximum allowed to that class (see column 3), which leaves a schedule showing the following information:

(a) Class of obligation.

(b) First and last date of each period during which the corporation's holdings of that class of obligations remained unchanged.

(c) Amount of obligations of that class held by the corporation during each such period.

(d) Maximum amount of each amount entered in column (c) exclusive of the maximum amount for any class of obligations.

(e) Rate of interest.

(f) Interest accrued from each amount of principal stated in column (d).

For the purpose of showing changes in holdings and applying the exception, classes 4 and 15 must be taken jointly, but for the purpose of computing the taxable interest they must be taken separately.

Note in Item 4, Schedule A, the total of column (f) for all classes of obligations.

Submit also a statement showing the amount of interest charged from bonds and other obligations of the United States and its partnerships, exclusive of those described in the table above.

**SCHEDULE A7: INTEREST FROM OTHER SOURCES.**

Submit a schedule showing the source, nature, and amount of the principal items included herein, the minor items being grouped in one figure. The total of the schedule should be entered as Item 5, Schedule A.

For the purpose of computing a schedule showing (a) name of country, (b) kind of obligations (whether national, state, municipal, or corporate obligations); (c) amount of principal, and (d) amount of interest.

**SCHEDULE A8: DIVIDENDS ON STOCK OF FOREIGN CORPORATIONS.**

Submit a schedule showing (a) name of corporation; (b) country in which organized, (c) total per value of stock held, and (d) amount of dividends.

**SCHEDULE A9: GROSS INCOME FROM ALL OTHER SOURCES EXCEPT DIVIDENDS (not including any amount in respect of capital assets or miscellaneous investments).**

Submit a schedule showing the source, nature, and amount of the principal items included herein, the minor items being grouped in one figure. The total of the schedule should be entered as Item 10, Schedule A.

**SCHEDULE A10: ORDINARY AND NECESSARY EXPENSES (amounts called for separately by Schedule A, and not including cost or value of capital assets or miscellaneous investments held during taxable year).**

Submit a statement showing character and amount of the principal items included in Item 11, Schedule A.

Insurance companies should state separately in Schedule A10 (a) the net addition required by law to be made within the taxable year to reserve funds (including in the case of assessment insurance companies the actual deposit of sums with State or Territory insurance departments); (b) the total amount of dividends paid within the year; and (c) the total amount other than dividends paid within the year on policy and annuity contracts.

Corporations issuing policies covering life, health, and accident insurance combined in one policy issued on the weekly premium payment plan continuing for life and not subject to cancellation should report in Schedule A10 such net addition (not required by law) made within the taxable year to reserve funds as is required for the protection of the holders of such policies.

Mutual marine insurance companies should report in Schedule A10 amounts repaid to policyholders on account of premium payments paid by them and interest paid upon such amounts held by the company and the date paid.

Mutual insurance companies (other than mutual life and mutual marine insurance companies) that require their members to make premium deposits to provide for losses and expenses should report in Schedule A10 the amount of premium deposits retained by their policyholders and the amount of premium deposits retained for the payment of losses, expenses, and insurance reserves (unless deducted elsewhere in Schedule A).

**SCHEDULE A11: COMPENSATION OF OFFICERS.**

Submit a schedule showing for each officer (1) name, (2) duties, (3) time devoted to such duties, (4) shares of stock owned, (5) total annual compensation for the years 1916, 1917, and 1918, and (6) reason for increases.

**SCHEDULE A12: REPAIRS (including labor, supplies, overhead, and other expenses properly chargeable to repairs).**

Submit a schedule showing the nature and amount of the principal items included in Item 12, Schedule A.

Individual expenses, which do not add to the value or apparently reduce the life of property are deductible as expenses. Expenditures for repairing, repairing, improving, or bettering which increase the value of the property are chargeable to capital account. Expenditures for restoring or replacing property are deductible under this or any other item of the return. Such expenditures are chargeable to capital account or to depreciation reserves, depending on the treatment of depreciation on the books of the taxpayer.

**SCHEDULE A13: EXHAUSTION, WEAR AND TEAR (including obsolescence).**

Submit a columnar schedule containing, in the most practicable form, substantially the following information:

1. A classification of depreciable assets subdivided on the basis of (a) character, (b) nature, and (c) life.

2. The fair market value of such assets March 1, 1915, if acquired before that date.

3. The fair market value of assets acquired after February 28, 1915.

4. The estimated life or rate of reasonable continuance of such assets from acquired or from March 1, 1915, in the case of new. Give reasons for your conclusion.

5. For each class of assets state:

(a) The total amount of depreciation from March 1, 1915, to the beginning of the taxable year.

(b) The total amount of depreciation (restoration, wear and tear, including obsolescence) claimed for the taxable year.

6. A reconciliation of all figures shown in this schedule with corresponding figures reflected in the balance sheet.

**SCHEDULE A14: AMORTIZATION OF WAR FACILITIES.**

If amortization of war facilities is claimed the taxpayer is required to furnish with this return the information and schedules called for in Articles 181 to 187 of Regulations No. 48.

**SCHEDULES A15 AND A16: PROFIT OR LOSS ON SALES OF CAPITAL ASSETS and Miscellaneous Investments, and losses sustained during the taxable year from fire, storm, or other casualty, or from theft, not compensated for by insurance or otherwise.**

Submit a columnar schedule setting forth for each class of capital assets or of miscellaneous investments occurring during the taxable year the information called for below:

1. Description of property sold or of property in respect of which a loss is claimed.

2. Date acquired.

3. Fair market price or value on March 1, 1915, if acquired before that date, or cost if acquired after February 28, 1915.

4. Cost or fair market value, if any, since February 28, 1915, or date of acquisition, if not acquired after February 28, 1915.

5. Total of Items 3 and 4.

Loss—

Depreciation or depletion of property subject thereto—

(a) For bonds.

(b) Accrued but not on books.

7. Salvage value, if any, of property on which a loss is claimed.

8. Amount of insurance or other recovery on property, if any.

9. Proceeds of sale or fair value of property received in exchange for transactions falling in Item 15, Schedule A (see Note).

10. Total of Items 3 and 9, inclusive.

Profit or loss—

11. Gain or loss on the items falling in Item 15, Schedule A.

Note.—Subtract evidence substantiating the loss set by you in arriving at the fair value of property received in exchange for other property.

**COMPENSATION AT RATE OF \$1000 OR MORE PER ANNUM.**

Submit a schedule showing for each employee (if a shareholder of the corporation), whose compensation is at the rate of \$1,000 or more per annum, facts similar to those called for in Schedule A13.

**WORKING PAPER.**

Every corporation should possess, available for inspection by a revenue officer, working papers showing—

1. The balance in each account on the corporation's books that was used in preparing Schedule A.

2. The amount deducted from each such balance on account of each class of non-depreciable assets, including the amount deducted and other adjustments increased in Schedule B, together with the amount of the loss in Schedule B in which such amount as deducted was included.

3. The remainder of each such balance, analyzed to show the amount included in each item of Schedule A, with a reference to the number of the item in Schedule A in which such such amount was included.

—100—



Balance Sheet  
December 31, 1917

Assets	Liabilities
Cash	\$ 189,925.15
Land	247,005.00
Buildings	703,711.99
Machinery & Equipment	1,072,267.35
Patents	35,000.00
Good Will	109,120.00
Investments	221,000.00
Liberty Bonds	101,447.33
Prepaid Items	236,067.50
Notes Receivable	236,096.65
Accounts Receivable	1,260,010.25
Inventory	<u>\$ 3,067,320.65</u>
	<u>\$ 7,477,978.10</u>

Balance Sheet  
December 31, 1918

Assets	Liabilities
Cash	\$ 307,750.42
Land	251,990.59
Buildings	634,597.34
Machinery & Equipment	1,237,671.20
Patents	45,000.00
Good Will	109,120.00
Investments	201,000.00
Liberty Bonds	216,560.25
Canadian Bonds	400.00
Prepaid Items	21,941.30
Precious Metals	46,521.18
Notes Receivable	205,385.79
Accounts Receivable	1,152,681.13
Inventory	<u>\$ 113,798.14</u>
	<u>\$ 7,744,618.44</u>

Analysis of Surplus Account.

Surplus December 31, 1917	\$ 984,620.79
Net Income	639,886.52
Exempt Interest	<u>1,353.87</u>
	<u>\$1,625,861.18</u>
Less Dividends	\$ 200,000.00
" Income Tax	25,556.82
" Donations	<u>12,010.41</u>
	<u>237,567.23</u>
Surplus December 31, 1918	<u>\$1,388,293.95</u>

1-5-a

## 34 UNITED STATES VS. THE S. S. WHITE DENTAL MFG. CO.

## Schedule A-2

Inventories at beginning of period		3,067,330.68
Purchases during period		3,794,710.60
Supervision	143,164.11	
Clerical	103,317.83	
Miscellaneous	203,637.96	
Direct Labor	<u>796,196.23</u>	1,246,228.13
Heat, Light, Power	57,181.69	
Factory Supplies	63,772.63	
Freight, express & cartage	22,384.04	
Miscellaneous expenses	<u>134,522.95</u>	<u>297,661.89</u>
Total		8,406,127.70
Debent inventories at close of period		3,113,799.14
Cost of goods sold		5,292,328.56

\* \* \* \* \*

## Schedule A-3

Sales of platinum	\$ 133,620.84
Factory Scrap Sales	7,787.74
Miscellaneous Income	<u>12,666.15</u>
	\$ 154,294.73

\* \* \* \* \*

## Schedule A-5

Interest from other sources.

Notes receivable and bank deposits \$ 11,416.06

## Schedule A-12

Ordinary and Necessary Expenses.

Salaries	\$ 705,171.10
Traveler's expenses	111,658.52
Advertising expenses	223,562.86
Experimental expenses	144,662.96
Freight, express & cartage	55,318.87
Insurance	15,145.19
Rents	72,201.54
Supplies	30,356.27
Miscellaneous	71,757.23
Moving expenses	<u>28,643.71</u>
	\$ 1,458,698.25

\* \* \* \* \*

2-5-a

## Schedule A-4 Part 1.

1st Liberty Loan converted into 2nd Loan & 2nd Liberty Loan unconverted  
 1st & 2nd Liberty Loan converted into 3rd Loan and 3rd Liberty Loan  
 4th Liberty Loan

- 4,550.00  
 106,450.00  
 104,200.70

A	B	C	D	E	F
Class of obligation	Period during which corporation's holdings of class of obligations designated in column (a) unchanged. First date Last date of period of obligation	Am. of class column (a) held during period shown by column (b)	Am. by which each amt. entered in col. c. exceeds that class of obligation	Int. deriv. from each amt. of principal stated in col. (d)	Rate of interest
1st. Conv. 2nd	1/1/16 5/9/16 1/1/16 5/9/16 5/9/16 5/9/16 5/9/16 5/9/16 10/24/16	12/31/16 12/31/16 12/31/16 12/31/16 12/31/16 12/31/16 12/31/16 12/31/16 12/31/16	100.00 1,000.00 107,350.00 4,450.00 102,900.00 2,550.00 2,550.00 104,200.00	100.00 1,000.00 107,350.00 4,450.00 102,900.00 2,550.00 2,550.00 104,200.00	4.00 27.44 610.75 115.09 1,453.66 70.07 587.50
1st. - 3rd					
2nd 4's					
2nd 4's					
2nd. Conv. 3rd					
3rd 4's					
4th 4's					

Schedule A-4 Part. II.  
 Interest on first  $\frac{3}{4}$  Liberty Loan

\$ 64.87

3-5-a

## Schedule A-13

## Compensation of Officers.

<u>Name</u>	<u>Duties</u>	<u>Time Devoted</u>	<u>Shares of Stock owned</u>	<u>Annual Compensation</u>		
				<u>1916</u>	<u>1917</u>	<u>1918</u>
Frank H. Taylor, Pres.	Entire	125	15,000.	18,000.	18,000.	
Edwin T. Hinkson, Treas.	"	115	8,000.	8,000.	8,000.	
R. L. Vail,	"	42	4,000.	4,333.33	4,750.	

# as agreed at time of employment.  
" a normal one.

## Schedule A-14

## Repairs.

Repairs to buildings and factory equipment			
12th Street Factory			\$ 2,002.27
Frankford	"		4,053.86
Staten Island	"		48,553.27
CAM Division	"		8,647.84
Porcelain Tooth Factory			1,080.51
Head Office 211 S. 12th St.			8,536.92
Philadelphia Retail Store			284.10
Atlanta	"		65.11
Chicago	"		244.17
New York	"		393.68
San Francisco	"		87.59
Boston	"		354.75
Less excess credit to reserve for repairs			
Total			\$2,286.01
			<u>751.52</u>
			<u>71,554.76</u>

## Schedule A-15

## Depreciation.

Kind of property	Cost	Duration	Taken this yr.	Previously taken.
Buildings	634,597.34	50 yrs.	\$ 16,791.76	\$9,530.92
Machinery, etc.	1,237,571.20	10 "	123,757.12	173,428.32
	2,072,268.54		140,558.88	
Obsolescence			106,181.72	
			246,740.60	232,959.24

## Explanation of obsolescence as taken:

Machinery as capitalized in 1916	\$ 22,696.00
" " " " 1917	<u>\$ 34,343.67</u>
	\$ 57,039.67
Advertising, catalogue book	
Charts, posters & expenses capitalized	
in 1916 & 1917 for the tooth business	<u>49,142.05</u>
	106,181.72

The utter failure of the project for the tooth business resulted in 1916 of a total loss to the company of the entire capitalization of the tooth business entailing a total loss to the company during 1916 of \$106,181.72.

4-5-a

## Schedule A-23-24

1. Description of property sold or of property in respect of which a loss is claimed: Investment in branch house located in Berlin, Germany, incorporated as the S. S. White Dental Mfg. Co. m.b.H. stock fixtures and furniture.
  2. Date acquired: 1896.
  3. Fair market price or value on March 1, 1913, if acquired before that date, or cost if acquired after Feb'y. 23, 1913: \$228,303.80.
  4. Total from column (3) \$228,303.80.
  5. Salvage value, if any of property on which a loss is claimed: 97,539.46.
  6. Total of Item 5, inclusive: 97,539.46.
  7. Loss difference between columns 5 and 10: 130,764.34.
  8. Cause of loss: entire investment confiscated by German Imperial government resulting in a total loss to this company.
- .....
- 5-5-2

Page 8—Income Schedules—Continued  
SCHEDULES SUPPORTING SCHEDULE A

The schedules called for below should be prepared and firmly stapled to this return. Designate each schedule with the number of the item in Schedule A which it explains. Make schedules on paper of uniform size so far as practicable. In the space provided for the purpose on page 8 list all schedules attached to this return, giving the title and schedule number of each.

**SCHEDULE AB: COST OF GOODS SOLD, EXCLUSIVE OF EXPENSES, REPAIRS, AND OTHER ITEMS CALLED FOR SEPARATELY.**

In support of Item 8, Schedule A, compute the cost of goods sold or manufacturing, or selling operations should submit an analysis, to reasonable detail, of the cost of goods sold. This statement should definitely include the following items but should not include any expense items called for separately in Schedule A.

1. Inventories at beginning of period (to be reconciled with balance sheet).
2. Purchases during period.
3. Labor wages principally charged to manufacturing cost on the corporation's books, showing the principal items separately.
4. Other expenses necessarily charged to manufacturing cost on the corporation's books. (State separately large or material items.)
5. Total.

**Schedule:**

1. Inventories at close of period (to be reconciled with balance sheet).
2. Cost of goods sold (Item 5 less Item 1).

Note.—Inventories should be valued at (a) cost or (b) net or market, whichever is lower, provided, however, that the method adopted by a taxpayer for the taxable year 1937 must be used in computing taxes upon inventories. Changes in valuation methods should be explained. Inventories should be carried in a ledger manner, properly accounted and summarized, and should be presented as a part of the statement of the taxpayer. (See Articles 2811 and 2816 of Regulations No. 45.)

Show here which of the above-included items for valuing inventories is used in this return.

**SCHEDULE AC: GROSS INCOME FROM OPERATIONS OTHER THAN TRADING OR MANUFACTURING, LESS ALLOWANCES.**

Submit a schedule showing the nature and amount of the principal items included in Item 9, Schedule A.

Life insurance companies should enter on Item 9, Schedule A, the total premiums received from policyholders less such portion thereof as has been paid back or credited to or treated as an adjustment of premiums, of such policyholders within the taxable year. (See Articles 284 and 287 of Regulations 45.)

Other mutual insurance companies should report as Item 9, Schedule A, the gross premiums collected and received by them less amounts paid for reinsurance.

**SCHEDULE AD: INTEREST ON OBLIGATIONS OF UNITED STATES OR ITS PORTIONS, LESS ALLOWANCES.**

Enter in table below the maximum amount of Liberty Bonds and other obligations of the United States issued since September 30, 1917 (per value) held at any one time, from which interest was derived during the taxable year:

1. NUMBER OF OBLIGATIONS	2. MAXIMUM AMOUNT OF OBLIGATION	3. MAXIMUM AMOUNT OF OBLIGATION
Mr. Liberty Loan converted into Demand Note	\$100.00	\$100.00
Mr. Liberty Bond converted into Demand Note	\$100.00	\$100.00
Mr. Bond and Bond Liberty Loan converted into Demand Note and Bond Liberty Loan	\$100.00	\$100.00
Mr. Bond Liberty Loan converted into Demand Note	\$100.00	\$100.00
Mr. Bond Liberty Loan	\$100.00	\$100.00
Mr. Savings Bond and Bond Savings Note	\$100.00	\$100.00

Note.—This computation is to be limited to one and one-half times the amount of bonds of the Liberty Bonds originally submitted for and still held. State amount held, \$ 104,200.00.

In order to ascertain the amount to be entered on Item 9, Schedule A, refer to the table above.

If the amount entered in column 2 of the table for any class of obligations exceeds the amount required for that same class of obligations plus any part of \$1,000 necessary assigned to that class, enter in column 3, which shows a schedule showing to compute entries the following information:

- (a) Class of obligations.
- (b) First and last date of each period during which the corporation's holdings of that class were wholly unchanged.
- (c) Amount of obligations of that class held by the corporation during each such period.
- (d) Amount by which each amount entered in column (c) exceeds the maximum amount for that class of obligations.
- (e) Rate of interest.
- (f) Interest derived from such amount of principal stated in column (d).

For the purpose of computing changes in holdings and applying the exception, column 3 need not be shown jointly, but for the purpose of computing the taxable interest they must be shown separately.

Enter as Item 9, Schedule A, the total of columns (f) for all classes of obligations. Submit also a schedule showing the amount of interest derived from bonds and other obligations of the United States and its territories, exclusive of those described in the table above.

**SCHEDULE AE: INTEREST FROM OTHER SOURCES.**

Submit a schedule showing the names, nature, and amount of the principal items included in Item 10, Schedule A, being grouped in one figure. The total of the schedule should be entered as Item 10, Schedule A.

For interest on foreign bonds submit a schedule showing (a) name of country; (b) kind of obligations (whether national, state, municipal, or corporate obligations); (c) amount of principal; and (d) amount of interest.

**SCHEDULE AF: DIVIDENDS ON STOCK OF FOREIGN CORPORATIONS.**

Submit a schedule showing (a) names of corporations; (b) country in which organized; (c) total par value of stock held; and (d) amount of dividends.

**SCHEDULE AG: GROSS INCOME FROM ALL OTHER SOURCES EXCEPT DIVIDENDS, INTEREST, AND AMOUNTS IN RESPECT OF CAPITAL ASSETS AND INVESTMENT INVESTMENTS.**

Submit a schedule showing the names, nature, and amount of the principal items included herein, the minor items being grouped in one figure. The total of the schedule should be entered as Item 11, Schedule A.

**SCHEDULE AH: ORDINARY AND NECESSARY EXPENSES (except amounts called for separately in Schedule A and not including cost or value of way and means or investment in investments held during taxable year).**

Submit a schedule showing character and amount of the principal items included in Item 12, Schedule A.

Insurance companies should state separately in Schedule AH (a) the net written premium by her to be made within the taxable year to reserve funds (including in the case of accident and health companies the actual deposit of sums with State or Federal offices required to be made within the taxable year to reserve funds); and (b) the total of other than dividends paid within the year on policy and premium contracts.

Corporations having policies covering life, health, and accident insurance should in one policy issued on the weekly premium payment plan continuing for life and not subject to cancellation should report in Schedule AH such part of the net addition (not premium) by her made within the taxable year to reserve funds as is required for the payment of premiums on all policies issued by her.

Mutual savings banks should report in Schedule AH amounts paid to policyholders on account of premiums previously paid by them and interest paid upon such amounts between the investment and the payment thereof.

Mutual insurance companies (other than mutual life and accident insurance companies) that require their members to make premium deposits to provide for losses should report in Schedule AH the amount of premium deposits retained in the policyholders and the amount of premium deposits retained for the payment of losses, expenses, and insurance reserves (values deducted elsewhere in Schedule AH).

**SCHEDULE AI: COMPENSATION OF OFFICERS.**

Submit a schedule showing for each officer (1) name, (2) address, (3) time devoted to such duties, (4) shares of stock owned, (5) total annual compensation for the years 1918, 1919, and 1920, and (6) amount of increase.

**SCHEDULE AJ: REPAIRS (excluding labor, supplies, overhead, and other items properly chargeable to repairs).**

Submit a schedule showing the nature and amount of the principal items included in Item 14, Schedule A.

Incidental repairs, which do not add to the value or appreciably prolong the life of property, are deductible as expenses. Expenditures for new buildings or for permanent improvements or betterments which increase the value of the property are chargeable to capital account. Expenditures for restoring or replacing property are deductible under this section if the cost of the betterment is reasonable. Such expenditures are chargeable to capital account or to depreciation reserves, depending on the treatment of depreciation on the books of the taxpayer.

**SCHEDULE AK: EXHAUSTION, WEAR AND TEAR (including obsolescence).**

Submit a schedule showing the nature and amount of the principal items included in the following information:

1. A classification of depreciable assets subdivided on the basis of (a) character, (b) term of useful life.
2. The fair market value of such assets March 1, 1918, if acquired before that date.
3. The cost of such assets if acquired after February 28, 1918.
4. The estimated life or term of reasonable usefulness of such assets from date acquired or from March 1, 1918, if none is given. Give reasons for your conclusion.

5. For each class of assets—
  - (a) The amount of depreciation from March 1, 1918, to the beginning of the taxable year.
  - (b) The total amount of depreciation (exhaustion, wear and tear, including obsolescence) claimed for the taxable year.
6. A reconciliation of all figures shown in this schedule with corresponding figures reflected in the balance sheet.

**SCHEDULE AL: AMORTIZATION OF WAR FACILITIES.**

If amortization of war facilities is claimed the taxpayer is required to submit with this return the information and schedules called for in Article 181 of Regulations 45.

**SCHEDULE AM: PROFIT OR LOSS ON SALES OF CAPITAL ASSETS AND INVESTMENT INVESTMENTS, AND LOSSES INCURRED DURING THE TAXABLE YEAR FROM FIRE, STEAL, OR OTHER CASUALTY, OR FROM THEFT, NOT COMPENSATED FOR BY INSURANCE OR REBATE.**

Submit a schedule setting forth for each sale of capital assets or investment in investments and for each loss during the taxable year the information called for below:

1. Description of property sold or of property in respect of which a loss is claimed.
2. Date acquired.
3. Fair market price or value on March 1, 1918, if acquired before that date, or not if acquired after February 28, 1918.

4. Cost of improvements, if any, shown February 28, 1918, or since date of acquisition after February 28, 1918.
5. Total of losses from 3 and 4.
6. Losses—

7. Depreciation or depletion of property subject thereto—
  - (a) For books.
  - (b) Acquired but not on books.

7. Salvage value, if any, of property on which a loss is claimed.

8. Amount of losses due to fire, robbery, or other casualty.

9. Proceeds of sale or cash value of property received in exchange for insurance falling in Item 21, Schedule A (see Note).

10. Total of losses from 6, 7, inclusive.

11. Profit or loss.

12. Total of all losses falling in Item 24, Schedule A.

Note.—Under evidence substantiating the basis used by you in arriving at the cash value of property received in exchange for other property.

**COMPENSATION AT RATE OF \$1000 OR MORE PER ANNUM.**

Submit a schedule showing for each employee (if a stockholder of the corporation), whose compensation is at the rate of \$1,000 or more per annum, form similar to that called for in Schedule AH.

**WORKING PAPERS.**

Every corporation should possess, available or imperative by a recent officer, working papers showing—

1. The balances in each account on the corporation's books for use and in proportion Schedule A.
2. The amounts deducted from such book balances on account of such items as dividends, stock splits, distributions, and other adjustments indicated in Schedule B, with a reference to the name of the item in Schedule B for which such amount is deducted or is included.

3. The remainder of such book balances, analyzed to show the amount included in each item of Schedule A, with a reference to the number of the item in Schedule A to which such amount was included.



May 4, 1921.

Commissioner of Internal Revenue,  
Washington, D. C.

In re: The S. S. White D. M. Co.,  
Amended Returns 1916-1917-1918-1919.

Sir:

There is herewith submitted Amended Returns for The S. S. White Dental Manufacturing Company, 211 South 12th Street, Philadelphia, Pa., for the calendar years 1916, 1917, 1918 and 1919, showing a net overpayment of taxes in the four amended returns for the years above indicated as given in detail as follows:

1913 - 1914 - 1915

The depreciation charged in the taxable years of 1913-1914-1915 as set forth in the balance sheets attached to the 1916 amended return which were not deducted from the net income in fixing the tax liabilities of those years are claimed as credits now against the underpayment of taxes for 1916 and are as follows:

1913 Depreciation charged	\$ 9,819.30	tax ---	\$ 98.19
1914        "        "	11,878.05	"	116.78
1915        "        "	<u>11,858.05</u>	"	<u>116.58</u>
Total	\$ 33,555.40		\$ 335.55

- 1916 -

The original return showed a total net income of \$378,187.07; and a tax liability of \$7,563.44.

The amended return shows a net income of \$400,563.78 and a tax liability of \$8,011.28 being an underpayment of taxes of \$447.54 of which amount \$335.55 is credited to the overpayment of 1913 - \$98.19, 1914 - \$116.78 and 1915 - \$116.58 and the balance of the underpayment \$111.99 is credited to the overpayment of 1917.

The differences of net income are explained as follows:

Net income on Amended return	\$ 400,563.78
"     "     " Original "	<u>378,187.07</u>
	\$ 22,376.71

1-4-a

Gross income omitted from original return	\$ 1,993.60
Berlin, Germany reserve deduction	20,000.00
Bad Debts excess deduction	3,137.29
General expense item not deductible	<u>5,569.87</u>
	<u>\$30,700.76</u>
Less depreciation not taken	<u>8,324.05</u> \$ 22,376.71

The corrected balance sheet for December 31, 1916  
as follows: -

Balance Sheet  
Dec. 31, 1916

Assets:	Liabilities:
Cash	Capital Stock \$ 5,000,000.00
Land	Accounts Payable 139,438.45
Buildings	Reserves for Depre-
Machinery & Equipment	ciation 111,558.20
Patents	Undivided Profits 802,610.14
Good Will	
Investments	<u>\$ 6,053,706.79</u>
Prepaid Items	
Notes Receivable	Invested Capital 5,802,610.14
Accounts Receivable	Surplus 802,610.14
Inventory	<u>2,245,352.98</u>
	<u>\$ 6,053,706.79</u>

1917.

The original return showed a net income of \$414,702.57 with a tax liability of \$25,556.82.

The amended return shows a net income of \$394,051.70 with a tax liability of \$23,643.09.

The differences in net income are explained as follows:

Net income of original return	\$ 414,702.57
" " " amended "	<u>394,051.70</u>
	Difference <u>\$ 20,650.87</u>
Exempt interest included in original return	\$ 1,775.33
Additional bad debts omitted in original return	3,067.71
Additional depreciation omitted in original return	<u>15,807.83</u>

2-4-a Total \$ 20,650.87

The original return showed a net invested capital on which the excess profits credits were predicated of \$5,830,198.71, giving a credit at 7% plus the exemption of \$3,000.00 of \$411,115.91, while the amended return shows a net invested capital of \$5,798,524.42 and an excess profits credit, including the exemption of \$3,000.00 of \$408,696.71.

The corrected balance sheet for December 31, 1917, as follows:

Balance Sheet Dec. 31, 1917		
Assets:		Liabilities:
Cash	\$ 189,923.15	Capital Stock \$ 5,000,000.00
Land	247,003.00	Notes Payable 990,000.00
Buildings	703,711.99	Accounts Payable 264,398.07
Machinery & Equipment	1,072,267.56	Mortgage 6,000.00
Patents	35,000.00	Res. for Depreciation 232,959.24
Good Will	109,120.00	Undivided Profits 984,620.79
Investments	221,000.00	
Liberty Bonds	101,447.33	
Prepaid Items	235,067.50	
Notes Receivable	236,096.85	
Accounts Receivable	1,260,010.25	Invested Capital \$ 5,984,620.79
Inventory	<u>3,067,330.68</u>	Surplus 984,620.79
	<u>\$ 7,477,978.10</u>	

1918.

The original return showed a net income of \$662,320.91, and a tax liability of \$132,562.27.

The amended return shows a net income of \$639,886.52, and a tax liability of \$119,183.08.

The differences in net income are explained as follows:-

The net income of the original return was	\$ 662,320.91
" " " " " amended " "	<u>639,886.52</u>
	22,434.39

The differences in net income are explained as follows:-

Additional deduction for Berlin property omitted from original return	\$ 20,000.00
Additional deduction for depreciated omitted from original return	<u>2,434.39</u>
Total	<u>22,434.39</u>
	0

The original return showed a net invested capital \$ 5,830,284.73, giving a credit at 7% plus the exemption of \$3,000.00 of \$469,420.38 while

g4-Q

the amended return shows a net invested capital of \$5,924,863.63, giving a credit at 8% plus the exemption of \$3,000.00 of \$476,989.09.

The corrected balance sheet for December 31, 1918, as follows:-

Balance Sheet  
Dec. 31, 1918

Assets:	Liabilities:
Cash	\$ 307,750.42
Land	251,990.69
Buildings	834,597.34
Machinery & Equipment	1,237,671.20
Patents	45,000.00
Good Will	109,120.00
Investments	201,000.00
Liberty Bonds	216,560.25
Canadian Bonds	400.00
Prepaid Items	21,941.30
Precious Metals	46,521.18
Notes Receivable	205,385.79
Accounts Receivable	1,152,881.13
Inventory	<u>\$ 3,113,799.14</u>
	<u>\$ 7,744,618.44</u>
	Capital Stock
	Notes Payable
	Accounts Payable
	Res. for Depreciation
	Undivided Profits
	Invested Capital
	Surplus

1919.

The original return showed a net income of \$1,277,655.63 and a tax liability of \$272,325.39.

The amended return shows a net income of \$1,257,950.76 and a tax liability of \$260,557.95.

The differences in net income are explained as follows:

The net income of original return was	\$ 1,277,655.63
" " " " amended " "	<u>1,257,950.76</u>
Difference	\$ 19,704.87

Additional depreciation taken in amended return	\$ 23,503.51
Depreciation included in ordinary expense in the original return	<u>3,798.64</u>
Difference	<u>19,704.87</u>
	0

The original return showed a net invested capital of \$6,228,970.11 giving a credit at 8% plus the exemption of \$3,000.00 of \$501,317.61, while the amended return shows a net invested capital of \$6,282,605.29 giving a credit at 8% plus the exemption of \$3,000.00 of \$505,608.42.

The corrected balance sheet for December 31, 1919 as follows:

44-a

Balance Sheet  
Dec. 31, 1919

Assets:		Liabilities:
Cash	\$ 265,723.93	Capital Stock \$ 5,000,000.00
Land	256,090.69	Notes Payable 770,000.00
Buildings	901,027.33	Accounts Payable 298,455.17
Machinery & Equipment	1,453,760.54	Reserve for Depreciation 547,217.11
Patents	47,962.86	Undivided Profits 2,206,673.30
Good Will	109,120.00	\$ 6,822,345.58
Investments	309,139.73	
Liberty Bonds	395.00	
Canadian Bonds	5,000.00	
Prepaid Items	48,777.07	
Precious Metals	52,763.96	
Notes Receivable	307,542.46	
Accounts Receivable	1,405,285.28	
Inventory	<u>\$ 3,659,656.73</u>	
	<u>\$ 6,822,345.58</u>	

The overpayments of tax liability are as follows:-

The 1913 return	98.19
" 1914 "	118.78
" 1915 "	118.58
" 1917 "	1,913.73
" 1918 "	13,399.19
" 1919 "	11,767.44
Total	<u>\$27,415.91</u>

Less	
Underpayment of tax liability	
for 1916	<u>447.54</u>
Net overpayment	<u>\$26,968.37</u>

It is confidently expected that these explanations of differences between the original and amended returns filed will clearly set forth their character and enable your Office to render a proper audit of these returns.

*5-4a*

Very truly yours,

THE S. S. WHITE DENTAL MANUFACTURING CO.

TREASURER.

21

*Exhibit B to petition*

[Copy—Translation]

Meyers & Co. Import-Export-Commission. Telephone: Centrum 5110. Cable address: Meyers Comp. Wilhelmstr. 42b. ABC code, 5th edition, used

BERLIN W. 66, Mar. 19, 1918, WILHELMSTR. 42B.

MR. HERMAN UBERT,

Berlin-Scheneberg, Sponholzstr. 1:

Hereby I wish to inform you and request you to take note of it that I have been appointed by the Minister of Commerce and Manufactures as sequestrator of the concern The S. S. White Dental Manufacturing Company, m.b.h.

At the same time I wish to inform you hereby that from this day on further purchases in any articles are not allowed any longer and deliveries and sales are to be made from the stock on hand. Orders for which no goods are on hand must remain un-filled. The other business transactions shall be continued until further in the same manner as heretofore. About the business in general I wish to be advised every two days, about special matters at once.

As to the incoming money and the depositing of same with the bank, all necessary signatures must be given by me. Eventually I will give you power of attorney to receive money. The bank has also been advised of the above.

Yours truly,

(Signed) EMIL MEYERS,  
*In the Firm of Meyers & Co.*

22 *Exhibit C to petition*

[Copy]

IT:CA:M-2. CEO-2114-4-App.

TREASURY DEPARTMENT,  
Washington, Sept. 5, 1923.

S. S. WHITE DENTAL MANUFACTURING COMPANY,

% Mr. Charles A. Brown,  
819 Fifteenth St. N. W., Washington, D. C.

SIRS: Reference is made to your recent appeal from the action of the Income Tax Unit in denying a deduction claimed for losses in 1918 amounting to \$130,764.34 and in allocating to the year 1917, \$15,435.81 of a total deduction for repairs amounting to \$56,379.34 claimed in your 1918 return.

The Commissioner of Internal Revenue has approved committee on appeals and review recommendation #3075 that the losses in 1918 amounting to \$130,764.34 be disallowed and that deductible expenditures in the amount of \$56,379.34 be allowed in 1918, of which you have previously been advised. A redetermination of your tax liability for 1916 to 1918, inclusive, in accordance with the above and data heretofore presented, indicates an additional tax of \$84,423.60, summarized as follows:

1916 waiver-----	\$610.01
1918-----	83,813.59
<hr/>	
	\$84,423.60

23 The decrease in your tax liability from the amounts indicated in office letter dated December 21, 1922, to those indicated above is due to allowing the full deduction of \$56,379.34 for repairs in 1918.

Your claims for credit of \$335.55, corporation income tax for 1913 to 1915, inclusive, claim for refund of \$1,134.45, corporation income tax for 1916, claims for credit of \$1,801.74 and \$111.99, corporation income and profits tax for 1917, claims for credit of \$13,399.19 and \$11,767.44 corporation income and profits taxes for 1918 and 1919, respectively, have been considered in the foregoing adjustments and will be made the subject of a separate communication from this bureau.

In the final audit of your return for 1917, the overassessment of \$1,628.16 indicated in agent's report dated August 16, 1922, has been changed to an additional tax of \$69.26.

This amount, however, will not be assessed inasmuch as the collection thereof is barred by the statute of limitations.

Adjustment of the tax will now be made in due course.

Respectfully,

J. G. BRIGHT, *Deputy Commissioner.*

24

*Exhibit D to petition*

[Copy]

NOVEMBER 14, 1923.

HON. BLAKELY D. McCAGHN,  
*U. S. Collector of Internal Revenue,*  
*First District of Pennsylvania,*  
*Philadelphia, Pennsylvania.*

DEAR SIR: Amended notice and demand for payment to the United States of income and excess profits taxes dated November 7th, 1923, in the amount of \$83,813.59, based on committee on appeals and review recommendation No. 3075 of the United States Internal Revenue Bureau that losses of this corporation in 1918, amounting to \$130,764.34, by reason of sequestration of its property "The S. S. White Dental Manufacturing Company, m.b.h., of Berlin, Germany," by the Imperial German Government be disallowed, is received.

This corporation vigorously protests against the payment of said taxes amounting to \$83,813.59, as set forth in said assessment as earnestly as it has heretofore done as shown by the records of the United States Internal Revenue Bureau. Said assessment is unjust, erroneous, and illegal, as the said losses in question upon which it is based are deductible under the law and this corporation says that it should not be required to pay said assessment based on said losses as set forth in Bureau of Internal Revenue's letter of September 5, 1923, signed by J. G. Bright, deputy commissioner, initialed  
IT:CA:M-2.

25 CEO-214-4 App. and your amended notice and demand for payment of tax dated November 7, 1923.

While the United States Internal Revenue Bureau insists upon the payment of the said assessment to you as collector, this corporation distinctly states that the payment by it of said assessment is in no way to be considered a voluntary payment of said assessment and here and now serves notice upon you as collector of United States internal revenue and the Commissioner of United States Internal Revenue that it protests against the payment of said taxes as duress and coercion upon this corporation by the United States Bureau of Internal Revenue and it further states that upon the payment of said assessment it will immediately file a claim for refund of said taxes erroneously and illegally collected from it with you as collector of United States internal revenue and the Commissioner of Internal Revenue upon the proper form of the United States Bureau of Internal Revenue.

Check in the amount of \$83,813.59 is herewith enclosed to pay said assessment as set forth in your amended notice and demand for additional taxes assessed for the calendar year 1918, dated November 7, 1923, and which is paid you as collector of United States internal revenue under strict protest and is in no sense to be considered a voluntary payment of your said amended assessment dated November 7, 1923.

This protest, accompanied by check of this corporation dated November 14, 1923, and numbered B24937 is sent you by registered mail with the request that you please acknowledge receipt of both this protest and check.

26 Claim for refund of the taxes made in your amended notice and demand dated November 7, 1923, will be filed immediately after payment of taxes has reached you.

Very truly yours,

EDWARD C. KIRK, *Vice-President.*

I, R. L. Vaill, secretary of The S. S. White Dental Manufacturing Company, do hereby certify that the following is a true and accurate transcript of a resolution adopted by the board of directors of The S. S. White Dental Manufacturing Company at a stated meeting held in Philadelphia, Pa., on the 27th day of April, 1920, at which a quorum was present, and the same is still in force. Said transcript being taken from the minutes of the proceedings of the meeting.

"RESOLVED: That the president, and/or the vice-president or vice-presidents, are hereby authorized and empowered to execute and deliver any agreement, contract, document or instrument which is necessary for the conduct of the current business of the company, and for that purpose to affix the corporate seal of the company when requisite."

In testimony whereof, I have hereunto affixed my official signature, and the seal of the company, in the city of Philadelphia, this 14th day of November, 1923.

R. L. VAILL, *Secretary.*

26½

## Exhibit E to petition

(Copy)

## CLAIM FOR EXHIBIT E

TREASURY DEPARTMENT  
INTERNAL REVENUE SERVICE  
Washington, D.C.—1923  
Comptroller General U.S.  
January 16, 1923

IMPORTANT  
File with Collector of Internal  
Revenue where assessment was  
made. Not acceptable unless  
completely filled in.

State of Pennsylvania  
County of Philadelphia

NOTICE TO COLLECTOR  
Collector must indicate in block  
above the kind of claim, except in  
Income Tax cases.

Date received by  
Administrator Date  
Name here

COLLECTOR'S NOTATION	
Debtors	
Account number	
Date received	
Amount paid	
Character of Internal Revenue	

The S.S. White Dental Manufacturing Company of  
(Name of taxpayer or payee of stamp) Pennsylvania  
211 S. 12th Street  
(Residence—give street and number or well as city or town and State)  
Philadelphia, Pennsylvania  
(Business address)

TYPE  
OR  
PRINT

- This deponent, being duly sworn according to law, deposes and says that this statement is made on behalf of the taxpayer named, and that the facts given below with reference to said statement are true and complete:
- Business in which engaged Dental Manufacturing
  - Character of assessment or tax Income & Fringe Profits Tax for 1918 to December 31 1918
  - Amount of assessment or stamp purchased \_\_\_\_\_
  - Reduction of Tax Liability requested (Income and Profits Tax) \_\_\_\_\_
  - Amount to be abated \_\_\_\_\_
  - Amount to be refunded (or such greater amount as is legally refundable) \$ 83,813.59
  - Dates of payment (see Collector's receipts or Indorsements of canceled checks) November 14, 1923  
(If statement covers income tax liability, items 8-11, inclusive, must be answered.)
  - District in which return (if any) was filed First District of Pennsylvania
  - District in which unpaid assessment appears \_\_\_\_\_
  - Amount of overpayment claimed as credit \_\_\_\_\_
  - Unpaid assessment against which credit is asked; period from \_\_\_\_\_ to \_\_\_\_\_

Deponent verily believes that this application should be allowed for the following reasons:

Said amount of \$83,813.59 paid to the United States as shown by Internal Revenue receipt attached hereto should be refunded to this taxpayer as said amount paid is based upon an erroneous and illegal assessment as said assessment is based upon Committee on Appeals and Review Recommendation No. 3075 of the United States Internal Revenue Bureau that losses of this corporation in 1918 amounting to \$130,754.34 by reason of sequestration of its property "The S.S. White Dental Manufacturing Company, m.b.H. of Berlin, Germany by the Imperial German Government be disallowed. This taxpayer contends that it should not have been required to pay said assessment based on said losses as set forth in Bureau of Internal Revenue's letter of September 5, 1923, signed by J.G. Bright, Deputy Commissioner initialed IT-C-A-M-2 CRO-2114-4 A pp. insists that it has shown to the Bureau of Internal Revenue its loss in 1918 under subsection 4 of Section 4444 of the Revenue Act of 1918 and therefore the amount of \$83,813.59 is refundable to it.

Swear to and subscribed before me this 16th day

of November 1923

Signed The S.S. White Dental Mfg. Co.

Edward C. Kirk

Vice President

Notary

(This affidavit may be sworn before a Deputy Collector of Internal Revenue or Revenue Agent without charge.)

6-1170

*Exhibit F to petition*

[Copy]

IT:CR:E. GN.

TREASURY DEPARTMENT,  
Washington, May 15, 1924.THE S. S. WHITE DENTAL MANUFACTURING Co.,  
*211 South 12th Street, Philadelphia, Pa.*

SIRS: Your claim for the refund of \$83,813.59, additional tax for 1918, assessment in October, 1923, has been examined.

The claim is based upon the statement that the Committee on Appeals and Review, Recommendation No. 3075, upon which the assessment is based, is erroneous in disallowing the loss claimed by you on account of the sequestration of property by the German Government in the amount of \$130,764.34.

In view of the fact that no additional information has been submitted in further support of your contention, the previous action of the Bureau is sustained.

The claim is, therefore, rejected, and will appear on the next schedule to be approved by the Commissioner.

Respectfully,

J. G. BRIGHT,  
*Deputy Commissioner,*  
(Signed) By L. O. LOHMAN,  
*Head of Division.*  
(3602)

II. *General traverse*

Sept. 23, 1924

No demurrer, plea, answer, counterclaim, set-off, claim of damages, demand, or defense in the premises having been entered on the part of the defendant, a general traverse is entered as provided by rule 34.

III. *Argument and submission*

On October 27, 1925, this case was argued and submitted on merits by Messrs. John F. McCarron and John Hampton Barnes, for plaintiff, and by Mr. Fred K. Dyar, for the defendant.

29 IV. *Findings of fact, conclusion of law, and opinion of the court by Hay, J.*

November 9, 1925

This case having been heard by the Court of Claims upon a stipulation of the facts made between the parties, the agreement as to the facts being in writing and signed by the plaintiff's attorneys, Mr. John F. McCarron and Mr. John Hampton Barnes, and by William J. Donovan, Assistant Attorney General, the court adopts the said stipulation and sets it out as follows as for its

*Finding of facts*

## I

The plaintiff, The S. S. White Dental Manufacturing Co. of Pennsylvania, is a corporation organized and existing under the laws of the State of Pennsylvania, with its principal office at Philadelphia, in said State, for the purpose of manufacturing and selling artificial teeth, dental tools, instruments, and articles of all kinds and preparations, apparatus, and articles useful or convenient in the science and practice of dentistry and oral surgery.

## II

The S. S. White Dental Manufacturing Co. of Pennsylvania, parent corporation of The S. S. White Dental Manufacturing Co., m. b. h., of Berlin, Germany, made an income and profits tax return, and also an amended income and profits tax return, to the United States Commissioner of Internal Revenue of its income for the year 1918, as shown by copies of said returns in Exhibit A to petition and hereby made a part hereof by reference, and deducted as a loss in its said United States income and profits-tax return the sum of \$110,764.34, and in its amended income and profits tax return it deducted \$130,764.34 for the year 1918, made to the said United States Commissioner of Internal Revenue, being the value of all the assets of The S. S. White Dental Manufacturing Co., m. b. h. of Berlin, Germany, which were shown on the books of The S. S. White Dental Manufacturing Co. of Pennsylvania in 1918 and which

is called its Berlin loss, for the reason that under date of  
30 March 19, 1918, Herman Übert, resident manager of The  
S. S. White Dental Manufacturing Co., m. b. h., of Berlin,  
Germany, was notified by one Emil Meyer, a representative of the  
then German Imperial Government, that he had been appointed  
sequestrator by the then German Minister for Commerce and Manu-  
facturers, and by said authority, copy of which is as follows:

## EXHIBIT B

## [Copy—Translation]

Myers & Co. Import-Export-Commission. Telephone: Centrum  
5110. Cable address: Meyers Comp. Wilhelmstr. 42b. ABC  
code, 5th edition, used

BERLIN W. 66, Mar. 19, 1918, WILHELMSTR. 42B.

Mr. HERMAN ÜBERT,

Berlin-Scheneberg, Sponholzstr. 1:

Hereby I wish to inform you and request you to take note of it  
that I have been appointed by the minister of commerce and manu-  
factures as sequestrator of the concern The S. S. White Dental  
Manufacturing Company, m. b. h.

At the same time I wish to inform you hereby that from this day on further purchases in any articles are not allowed any longer and deliveries and sales are to be made from the stock on hand. Orders for which no goods are on hand must remain unfilled. The other business transactions shall be continued until further in the same manner as heretofore. About the business in general I wish to be advised every two days; about special matters at once.

As to the incoming money and the depositing of same with the bank, all necessary signatures must be given by me. Eventually I will give you power of attorney to receive money. The bank has also been advised of the above.

Yours truly,

(Signed) EMIL MEYERS,  
*In the firm of Meyers & Co.*

did on March 19, 1918, seize and sequestrate the property of The S. S. White Dental Manufacturing Co., m. b. h., of Berlin, Germany, for the use of the then Imperial German Government. The property seized and sequestered by the sequestrator consisted of fixtures, cash, book accounts, merchandise stock, and accounts due and owing the said company. Because of the aforesaid sequestration of property, which belonged to The S. S. White Dental Manufacturing Co., m. b. h., of Berlin, Germany, the amount of \$130,764.34 was charged off the books of the parent corporation, The S. S. White Dental Manufacturing Co. of Pennsylvania, in the year 1918, as that was the exact amount of the parent corporation's investment in The S. S. White Dental Manufacturing Co., m. b. h., of Berlin, Germany, as shown by the books of the said The S. S. White Dental Manufacturing Co. of Pennsylvania in 1918.

### III

The last statement received by the S. S. White Dental Manufacturing Co. of Pennsylvania from The S. S. White Dental Manufacturing Co., m. b. h., of Berlin, Germany, prior to sequestration of The S. S. White Dental Manufacturing Co., m. b. h., of Berlin, Germany, by the German sequestrator, showed the value of the tangible and intangible assets of The S. S. White Dental Manufacturing Co., m. b. h., of Berlin, Germany, books on January 1, 1917, to be \$149,217.01 in United States currency. Due to the fact that all lines of communication for commercial transactions between the United States and Germany had been discontinued as a result of the war then pending between the United States and Germany, it was not possible to reconcile the \$130,764.34, representing the amount of \$149,217.01 contained in the last statement received from The S. S. White Dental Manufacturing Co., m. b. h., of Berlin, Germany, and, therefore, at the time of filing its income and profits tax return for 1918, The S. S. White Dental Manufacturing Co. of Pennsylvania

was restricted absolutely in making said deduction in its United States income and profits tax return for the year 1918 on account of its so-called Berlin loss to the amount of \$130,764.34 appearing on its books as a loss.

#### IV

The S. S. White Dental Manufacturing Co., m. b. h., of Berlin, Germany, was organized on January 20, 1896, upon which date the said corporation was entered of record in the Berlin Trade Register under No. 1211. The capital of the said company at the time of organization consisted of marks 60,000, and the names of the stockholders and the amount of stock held by each at the time of organization are as follows:

	Marks
The S. S. White Dental Manufacturing Co. of Pennsylvania.....	50,000
H. M. Lewis.....	2,000
W. H. Gilbert.....	2,000
J. Clarence White.....	2,000
Sam J. Jones.....	2,000
Sam S. White, Jr.....	2,000
	<hr/>
Marks	60,000

In the course of time there were several changes in the register of the original stockholders enumerated above, due to death, and the stock of a number of the aforesaid parties after death was acquired by The S. S. White Dental Manufacturing Co. of Pennsylvania, the parent corporation. Under date of February 10, 1911, the Berlin Trade Register, at Berlin, Germany, was officially notified by The S. S. White Dental Manufacturing Co. of Pennsylvania, that it had acquired the outstanding shares of the other parties in The S. S. White Dental Manufacturing Co., m. b. h., of Berlin, Germany, and from said date of February 10, 1911, the parent American corporation became the sole owner of all the stock of the said The S. S. White Dental Manufacturing Co., m. b. h., of Berlin, Germany, and was the sole owner of said stock of said corporation at the time of said sequestration by the Imperial German Government on March

19, 1918.

The object of The S. S. White Dental Manufacturing Co. of Pennsylvania, the parent corporation, in organizing The S. S. White Dental Manufacturing Co., m. b. h., of Berlin, Germany, was for the purpose of developing a market for the products of the said parent company in Germany and other countries of northern and central Europe. The said The S. S. White Dental Manufacturing Co. of Pennsylvania is and was engaged at the time of the organization of its said German company, The S. S. White Dental Manufacturing Co., m. b. h., of Berlin, Germany, in the manufacture of dental goods.

## VI

Under date of January 15, 1921, Mr. W. W. Tomb, internal revenue agent of the Bureau of Internal Revenue, Treasury Department, submitted a report to the United States Bureau of Internal Revenue of an investigation made by him of the income and profits tax liability of the parent corporation, The S. S. White Dental Manufacturing Co. of Pennsylvania, for the years 1916, 1917, and 1918, and in said report he disallowed the amount which plaintiff contends was the loss sustained by it in 1918 and shown in its original United States income and profits tax return for the year 1918 as \$110,764.34 on account of the amount invested by it in The S. S. White Dental Manufacturing Co., m. b. h., of Berlin, Germany, which amount is increased to \$180,764.34, as shown by its amended income and profits tax return for 1918, by reason of the fact that said agent, Tomb, restored to the assets the sum of \$20,000 charged off as depreciation in value by The S. S. White Dental Manufacturing Co. of Pennsylvania in its 1916 United States income-tax return.

In the said report of Internal Revenue Agent Tomb, at page 16, he states why he has disallowed the item relating to the loss claimed by plaintiff and called its Berlin loss on account of the sequestration of its property of the German sequestrator in The S. S. White Dental Manufacturing Co., m. b. h., of Berlin, Germany, which is as follows:

"The loss of \$110,764.34 on account of the Berlin store has been disallowed as a deduction, for the reason that the taxpayer has a good claim against the German Government, which is thought will be paid eventually. The Berlin store is operated by a German corporation formed expressly for such purpose and owned entirely by the taxpayer. The taxpayer argues that when the German Government seized this property the war was going on without any assurance at that time that the Allies would win, and therefore it was a loss, as definitely ascertained as any loss could be ascertained. However, pending the outcome of the war, the loss would appear to be indefinite, and now the recovery of such claim seems to be only a question of time. According to correspondence in the taxpayer's file, this property was seized early in the year 1918."

And, again, in his report, on page 23, Agent Tomb states:

"The Berlin business was practically suspended during the years 1917 and 1918 on account of the war and the seizure of the property by the German Government, as heretofore stated."

## VII

Subsequent to the filing of an affidavit on October 19, 1921, by plaintiff in the Bureau of Internal Revenue in regard to the amount claimed by it as a loss and known as its Berlin loss, a hearing was held in the Income Tax Unit of the Bureau of Internal Revenue

between representatives of the Income Tax Unit and claimant, and said item claimed as a loss and known as its Berlin loss in the dispute between the Bureau of Internal Revenue and plaintiff was gone into in the said conference or hearing and the matter was again referred to a field agent of the Bureau of Internal Revenue for further investigation. Said field agent was A. Goldstein, of the Bureau of Internal Revenue, who completed his report under date of November 12, 1921, and that part of it relating to plaintiff's so-called Berlin loss is as follows:

"On March 19, 1918, the sequestrator appointed by the German Government took over the taxpayer's property and investment in its branch in Berlin. (Copy of the sequestrator's letter is attached.) This sequestration apparently corresponds to the taking over of the property of enemy aliens in the U. S. by the Alien Property Custodian.

"The investment in the Berlin branch at Dec. 31, 1915, at which time the last authentic report was received, stood as follows:

General Investment	\$108,718.08
Capital stock	15,000.00
Furn. & fix.	87,829.16
Less rept. depr.	782.90
	7,046.26
Total	130,764.34

## VIII

Under date of December 28, 1921, another hearing was held between representatives of the Bureau of Internal Revenue and plaintiff in the Bureau of Internal Revenue and there were submitted by plaintiff certified copies of excerpts of the minutes of The S. S. White Dental Manufacturing Co. of Pennsylvania as follows:

The S. S. White Dental Mfg. Co.

[Extracts from minutes]

Stated meeting, board of directors, November 25, 1918. The S. S. White Dental Mfg. Co. m. b. h.

The president reported he had referred to our counsel the matter of filing claim with the proper department of our Government for the repayment to us of our loss in connection with this property arising out of its confiscation by the German Government.

## The S. S. White Dental Mfg. Co.

[Extract from minutes]

Stated meeting, board of directors, July 29, 1918. The S. S. White Dental Mfg. Co., m. b. h., Berlin

Whereas The S. S. White Dental Mfg. Co., m. b. h., Berlin, represents the following investments in this company's assets as of December 31, 1917:

A-19, capital stock.....	\$15,000.00
B-28, furniture & fixtures.....	7,046.26
B-17, open accounts.....	\$127,670.75
Less formerly adjusted.....	18,952.67
	108,718.08
	130,764.34

and

Whereas in 1916 there was charged as a reserve against this amount the sum of \$20,000; and

Whereas under continued condition of war the loss will, in the judgment of this board, soon be complete:

Resolved, That additional reserves be set up on the following items, viz, \$15,000 quarterly, beginning March, 1918, until liquidated.

## IX

After a hearing on December 28, 1921, in the Internal Revenue Bureau between representatives of plaintiff and representatives of the Income Tax Unit, the matter of plaintiff's so-called Berlin loss was again referred to a field agent, Paul D. Helfrich, of the Bureau of Internal Revenue, and under date of August 16, 1922, said field agent submitted his report and referred to claimant's so-called Berlin loss as follows:

## " SCHEDULE 10 (A)

## "Explanation of items changed

"(a) Loss Berlin branch is fully explained in report of Nov. 18, 1921, and disallowed, since no evidence has been submitted to show that the stock or investment was worthless."

## X

In a letter of the Income Tax Unit of the Bureau of Internal Revenue, dated December 21, 1922, plaintiff's claim for its so-called Berlin loss was disallowed, and under date of January 5, 1923, another letter was addressed to plaintiff by the said Income Tax Unit explaining why plaintiff's so-called Berlin loss, deducted in its United States income and profits tax return for 1918, was disallowed, stated the following:

"CEO-2114-4-App. This taxpayer insists that it has shown to the Bureau of Internal Revenue its loss in 1918 under subsection 4 of section 234 of the revenue act of 1918, and therefore the amount of \$83,813.59 is refundable to it."

## XV

The Commissioner of Internal Revenue, under date of May 15, 1924, rejected the said refund claim, as shown by copy of his letter attached to petition and made a part hereof (Exhibit F), which has been filed by plaintiff on November 24, 1923, for the recovery of the 37 of the \$83,813.59 paid as taxes by it under protest on its so-called Berlin loss.

## XVI

No action upon plaintiff's claim has been had before Congress. The said refund claim, in the amount of \$83,813.59, based on plaintiff's so-called Berlin loss, was presented to the United States Commissioner of Internal Revenue, Treasury Department, and the total amount of said refund claim of \$83,813.59 was rejected by the United States Commissioner of Internal Revenue, and plaintiff, prior to filing refund claim, protested against the payment of the said amount of \$83,813.59 to Blakely D. McCaughn, United States collector of internal revenue at Philadelphia, Pa., in writing at the date of payment of the said amount of \$83,813.59, and the said United States Commissioner of Internal Revenue adheres to his said action of rejection. No transfer or assignment of said claim or any part thereof or interest therein has been made. The said claim is now owned by claimant, and no other person or corporation is the owner thereof or is interested therein. Plaintiff has at all times borne true allegiance to the United States and has not in any way voluntarily abetted or given encouragement to rebellion against said government.

## XVII

The S. S. White Dental Manufacturing Co. of Pennsylvania has filed a claim with the Mixed Claims Commission against Germany on account of sequestration of The S. S. White Dental Manufacturing Co., m. b. h., of Berlin, Germany, as follows:

Item No. 1. Investment in German company as of March 18, 1918, date of sequestration, \$167,033.03 less proceeds of sale of German company, \$6,000	\$161,033.03
Item No. 2. Normal estimated earnings from March 18, 1918, to December 31, 1918, \$23,519.93	
Item No. 3. Normal estimated earnings from January 1, 1919, to December 31, 1919, \$30,500.01	
Item No. 4. Normal estimated earnings from January 1, 1920, to March 14, 1920, date of release, \$6,366.65	00, 446.50
Item No. 5. Cash balance on deposit in London branch of Dresden Bank	887.30
Item No. 6. Consequential injury and damage by loss of development in foreign field and otherwise	145, 908.40
	368, 333.32

## XVIII

Frank H. Taylor, president of The S. S. White Dental Manufacturing Co. of Pennsylvania, has filed an affidavit with the Mixed Claims Commission with respect to his company's claim against Germany, as follows:

## EXHIBIT I

STATE OF PENNSYLVANIA,

*County of Philadelphia, ss:*

I, Frank H. Taylor, on oath depose and say that I am president of The S. S. White Dental Manufacturing Company, a corporation organized and existing under the laws of the State of Pennsylvania, the claimant in the memorial to which this affidavit is attached, and that I make this affidavit in support of the said claim.

In 1881 The S. S. White Dental Manufacturing Company was organized to succeed to and acquire the business founded by Samuel Stockton White in the city of Philadelphia in 1844, and has successfully continued it since that date. The company has branches in the cities of New York, Boston, Chicago, Atlanta, and San Francisco, and has subsidiary corporations in Canada, Great Britain, Brazil, and Germany. More than ninety-nine per cent of the capital stock is owned by citizens of the United States.

For seventy-five years the company has produced dental goods of the highest merit and is recognized as the leading manufacturer in its line in the world. It has maintained this position in the face of intense competition, both domestic and foreign, much of it being based on low-priced imitations of its creations. These imitations have been produced in America, in England, and in Germany.

Its foreign business has grown by reason of a demand on the part of the leaders in the profession for reliable and precise appliances and supplies, so that its product reached practically every country.

After a long period of canvassing Europe by travelers, the company established a definite branch house in Berlin twenty-five years ago, and in the face of the competition above recited, this branch has operated at a profit until the events hereinafter stated, its interests having been looked after by highly trained specialists.

When The S. S. White Company of Pennsylvania entered the foreign field in central Europe by the establishment of its Berlin branch in 1896, it carried with its original investment of \$15,000 in the German company a much larger investment represented by fifty years' experience as the leading producer of practically a full line of standard dental material, supplies, and equipment in the world, together with its patents, trade-marks, and good will, owned by the parent concern. With Berlin as its center, the German company, as the chief selling company in central Europe for the S. S. White products, expanded its business gradually to Poland, Russia, Aus-

tria-Hungary, the Balkans, and other countries of central and southern Europe. This company was successful, and a statement of its annual earnings shows that its progress was regular and steady, and that in no year, with the single exception of 1914, from the time of its organization until it was taken over by the sequestrator did it show a loss. A statement showing the invested capital and net earnings from the time of its organization to 1917, inclusive, by years is contained in Exhibit F.

In 1921 I went to Germany to make a personal investigation into the condition and prospect of the German company following an unsuccessful trip in 1919. After inspecting the office and sales-room, conversing with the employees and the leaders of the dental business in Germany, examining in detail the books and records of the German company, I reached the conclusion that the value of the business and good will built up during a period of more than twenty years of successful operation had been completely dissipated as a result of the destructive policy of the German sequestrator, and being convinced that the condition of the German company  
39 was hopeless I sold its tangible assets and its lease for the sum of \$6,000, this amount being, in my judgment as a man experienced for 40 years in corporate management, a fair maximum value of the business under the conditions then existing. During my visit to Germany I learned the following facts:

The business of The S. S. White Company in Germany and central Europe and the moral force that it had built up as a result of our twenty years' operation were finally and completely ruined during the period of German sequestration by the character of the administration to which it was subjected by the German sequestrator and by his general misconduct.

First. The sequestrator began his administration in the spirit indicated in his letter declaring himself sequestrator (Exhibit C, page 23). "From this day further purchases of any articles are not allowed any longer, and delivery and sales are to be made from the stock on hand; orders for which no goods are on hand must remain unfilled." In explaining this position to the force, he repeatedly emphasized that it was not the intention, or that he was not permitted, to conduct the business in a profitable manner.

Second. Following this, he ordered the cancellation of all advertising contracts.

Third. From the company's working capital in the Dresdner Bank was withdrawn by the sequestrator:

(a) 50,000 marks, which were invested in German war bonds on April 19, 1918.

(b) 40,000 marks were deposited with the Treuhaunder, fuer das feindliche Vermoegen, June 29, 1918.

These withdrawals resulted in the depletion of the working capital of the German company, so serious that the business was unable to continue as before.

Fourth. The sequestrator, being short of adequate working capital as a result of No. 3, discontinued the wholesale business of the company and confined the company's activities in its retail sales. This wholesale department had been important and profitable, employing traveling representatives and experts, who brought the S. S. White American products definitely before traders in all central Europe.

Fifth. The retail business was continued, requiring the employment of a large staff involving a heavy overhead charge on the business, which in turn dwindled because of the cancellation of all advertising contracts by the sequestrator, and thus became necessarily unprofitable.

Sixth. The sequestrator bought merchandise from German manufacturers and other factors, and resold the merchandise to the business under his control upon debit memoranda without details PAYABLE TO HIMSELF. I personally was shown some of these short memorandas. This practice was followed without any detail explanation of the transactions and is contrary to sound business principles not only in Germany but throughout the world. The prices paid to Mr. Meyers individually for acting as purchasing agent by himself as official sequestrator left only a small margin to cover the cost of handling and selling dental supplies, while it would have been possible, if the transactions had been handled in a regular manner at the price at which purchased from the manufacturers,

40 to have conducted this business at a profit. Suspicion naturally attaches to this method of handling purchases, for the reason that any ordinary buyer dealing in good faith with the business for which he is acting submits the manufacturers' invoices in detail as vouchers to justify the amounts paid. The claimant believes upon credible general information and the circumstances surrounding these transactions that they were for the benefit of the German agent, who thus derived unlawful profits therefrom. No account has ever been rendered by him of these transactions, and claimant is not now and may not hereafter be able to definitely prove the same because of the concealment of the acts and the destruction of evidence thereof naturally incident thereto.

Seventh. In addition, Mr. Meyers, without authority from the claimant, took from the funds of the German company marks 4,948 and made a subscription to the German war loan of marks 5,000, which is a complete loss, thus further depleting the capital.

Eighth. He removed furniture from the office of the German company, some to his own office and some to the Enamelline Works at Hoech st a. Main, where his son was employed, paying inadequate prices therefor.

Ninth. Toward the end of the period of official control a burglary occurred under suspicious circumstances, and it was impossible to hold the insurance company for the loss because the sequestrator had failed to keep the burglar alarm in efficient operating condition, as provided by the terms of the insurance policy.

Tenth. The course followed by the sequestrator to destroy the German company could not have been better devised.

The result of this administration was to dissipate the physical property of the German company, to finally destroy the good will, and the entire value of the business as a going concern, which had existed in Germany for more than twenty years prior to its sequestration for the sole purpose of selling the S. S. White products.

This result can only be attributed to the official misconduct of the representative of the German Government. The sources of information as to the amount of the assets and the losses due thereto hereinafter stated are from the books and accounts rendered by the German company to the home office in Philadelphia and from statements made by H. Ubert.

From the beginning all transactions between the German company and the parent corporation were in dollars. All prices were quoted in dollars and all financial reports from the German company to the parent corporation were made in dollars, and the statements of values, earnings, and losses are all stated in dollars in the claim presented by the company.

The claim of The S. S. White Company may be summarized as follows:

Item No. 1. This item of \$161,033.03 represents the value of the physical assets of the German corporation as of March 18, 1918, the date of sequestration as shown by certified reports from the German company and reconciled with the books and records of the American company less the sum of \$6,000 salvage from the sale of the German company in February, 1922. It consisted of—

41	Cash	\$60,565.80
	Accounts receivable	50,739.75
	Bills receivable	6,485.46
	Furniture & fixtures	5,709.59
	Merchandise inv	47,910.69
	Expenditures made by American Co. for German Co. not on German Co.'s books	914.49
	Less accounts payable	172,325.78
		5,292.73
	Less salvage of German Co.	167,033.03
		6,000.00
		161,033.03

The balance sheet of the German company as of March 18, 1918, is appended as Exhibit D. The reconciliation statement is given in Exhibit G.

The president of the claimant company went personally to Germany in January and February, 1922, and as hereinbefore stated negotiated the sale of the physical assets and leasehold of the German company for \$6,000, excepting the funds deposited in the London branch of the Dresdner Bank. (See Exhibit E.)

No claims for patent rights, trade-marks, or premiums on war risk insurance are included in this item. No part of this investment has been returned to or received by claimant.

Item No. 2. This item of \$23,519.93 represents the normal profits of the German company from March 18, 1918, the date of sequestration, to December 31, 1918. Of this year's operation, the first two and a half months were under the control of the former agent of the American company and the other nine and one-half months under the sequestrator. This profit of 1918 should at least have been equal to the profit of 1917, and therefore the amount shown represents the estimated earnings for nine and one-half months of 1918 based on the actual of the prior year. In 1917 business conditions were less favorable than in 1918.

No accounting for or payment of any of these profits has been made to the claimant.

Item No. 3. This item of \$30,560.01 represents the normal estimated profits of the German company for the calendar year of 1919, which was an enormously active year in the dental trade. The business should have produced from 25% to 50% more than in 1918. The 1917 figures increased by \$6,112.00 would amount to \$30,560.01.

No accounting for or payment of any of these profits has been made to the claimant.

Item No. 4. This item of \$6,366.65 represents the normal estimated profits from January 1, 1920, to March 15, 1920, the date on which the sequestration ceased and the property was returned to the agent of the American company. It is based on the 1919 estimated earnings for a period of two and one-half months.

No accounting for or payment of any of these profits has been made to the claimant.

Item No. 5. This amount of \$887.30 represents a cash balance of £182 11 5 on deposit in the London branch of the Dresdner Bank to the credit of The S. S. White Dental Manufacturing Company,

m. b. h., which was excepted from the sale of the assets of the  
42 German company to Ubert, Reifenstahl & Company. This

amount was composed of deposits in English money on sales made by the German company in England, and paid for in English money. According to letters from the Dresdner Bank in Berlin (Exhibit E), this amount has been remitted to the main office of the bank in Berlin, and under date of October 22, 1922, a letter was sent to the former office of the German S. S. White Company offering to settle this amount, but the offer was not accepted. No part of this amount has been paid to or received by the claimant.

Item No. 6. This item of \$145,966.40 represents the consequential injury and damage by loss of development work referred to as good will in the central European field due to the sequestration policy of its representative in charge of the property. This item is established as follows:

The average invested capital and the average actual net profits for a ten-year period from 1904 to 1913, inclusive, are used for the reason that this is the last decade of normal peace-time operation. A charge of 6% per annum on the average investment for ten years

is first made against the average net earnings for that period and the balance of the earnings is capitalized on a ten-year basis, thus ascertaining the consequential injury and damage to the claimant through its loss of a valuable selling subsidiary in a foreign field. The detailed computation showing the invested capital and the net earnings is herewith set forth:

	Invested capital	Earnings
1904	\$239, 897. 78	\$19, 661. 15
1905	237, 916. 04	26, 474. 82
1906	220, 099. 98	60, 304. 75
1907	209, 646. 17	25, 435. 56
1908	230, 658. 20	6, 365. 86
1909	246, 886. 43	41, 005. 16
1910	217, 224. 65	35, 834. 72
1911	277, 431. 56	62, 635. 42
1912	228, 303. 80	4, 914. 99
1913	192, 262. 82	1, 353. 55
	2, 300, 327. 44	283, 985. 98
Average invested capital		230, 032. 74
Average net earnings		28, 398. 60
6% of average invested capital		13, 801. 96
Average earnings in excess of 6%		14, 596. 64
Balance of earnings capitalized on 10-year basis		145, 966. 40

The ten-year term is used because the good will of the German company was its chief element of value. It had been in successful operation as a profitable and going concern for more than twenty years; it had built up a reputation in Germany and other parts of Europe for the S. S. White dental products in the face of cheaper and inferior goods; and as a result of the acts of misconduct of the sequest'ator, heretofore enumerated, and of his management of the property this element of value was completely destroyed, and had it not been for the sequestration and for the improper and illegal acts of the sequestrator the German company could have been operated at a profit and its good will preserved.

At the time of the interference of the German Government with the business of the German company by the appointment of a 43 sequestrator the company was conducting its business successfully, and its claim is based upon that act of interference and the character of the administration of the business by the sequestrator as above stated.

The business of the company was self-sustaining and during the war period would not have, had it remained in its own control, been affected by the limitation of the ability to import its articles. It would have continued to be a self-sustaining business dealing temporarily in German articles. If, therefore, there had been no interference with the control of the business by the company, or if after such interference it had been fairly and properly managed by the

sequestrator, the company would have been able, when conditions became normal, to reestablish its business and to maintain the good will of its American products without material loss.

**STATE OF PENNSYLVANIA.**

*County of Philadelphia, ss:*

I, Frank H. Taylor, do solemnly affirm that I am president of The S. S. White Dental Manufacturing Company, a corporation organized and existing under the laws of the State of Pennsylvania, the claimant in the foregoing petition; that I have executed this affidavit and signed my name as president under due and sufficient authority for and on behalf of said corporation; that I have read the foregoing petition and know its contents; and that all and singular the statements therein made are true to the best of my knowledge, except those made on information and belief. As to the statements made on information and belief, they are made as a result of personal inquiry from persons having first-hand knowledge of the facts, and I am advised that they are accurate and believe them to be true.

FRAK H. TAYLOR, *President.*

Subscribed and affirmed to before me this twentieth day of April, 1923, in the city of Philadelphia, State of Pennsylvania. I certify that I have no interest in the claim to which the foregoing petition relates; that I am not the agent or attorney of any person having an interest in said claim, and that I am not related to the said subscriber.

WILLIAM J. RUSSELL,  
*Notary Public.*

**XIX**

Alfred L. Geiger, attorney for The S. S. White Dental Manufacturing Co. of Pennsylvania, in the matter of its claim before the Mixed Claims Commission, has received the following letter from the Mixed Claims Commission:

MIXED CLAIMS COMMISSION,  
UNITED STATES & GERMANY,  
UNITED STATES AGENCY,  
911 Fifteenth St., Washington, January 30, 1924.

SIR: This is to notify you that the Mixed Claims Commission, United States and Germany, has granted an award in the case of The S. S. White Dental Manufacturing Company, claimant, which provides that the Government of Germany is to pay to the Government of the United States, on behalf of the claimant, the sum  
44 of \$70,000.00, with interest thereon at five per cent per annum from February 1, 1920, to the date of payment.

Of course, you will understand that an award does not mean immediate payment, as no fund has yet been provided for the satisfaction of these claims.

I have the honor to be, sir,  
Your obedient servant,

ROBERT W. BONYNGE, *Agent.*

Mr. ALFRED L. GEIGER,  
*Albee Bldg., Washington, D. C.*

#### *Conclusion of law*

Upon the foregoing special findings of fact, which are made a part of this judgment, the court decides, as a conclusion of law, that the plaintiff is entitled to recover the sum of \$83,813.59, with interest thereon at the rate of 6 per cent per annum from November 14, 1923. It is therefore adjudged and ordered that the plaintiff recover of and from the United States the sum of \$83,813.59, with interest thereon at the rate of 6 per cent per annum from November 14, 1923, to the date of this judgment.

#### *Opinion*

HAY, Judge, delivered the opinion of the court:

It is shown from the findings of fact that the plaintiff made an original and amended income tax and profits tax return for the year 1918 to the Commissioner of Internal Revenue in which it deducted the sum of \$130,764.34, for the year 1918, this sum being the value of all the assets of The S. S. White Dental Manufacturing Co., m. b. h., of Berlin, Germany, which were shown on the books of The S. S. White Dental Manufacturing Co. of Pennsylvania in 1918, which the plaintiff designated as its Berlin loss, because on March 19, 1918, the German sequestrator seized and sequestered its property in Berlin, which consisted of fixtures, cash, book accounts, merchandise, stock, and accounts due and owing the said company.

The plaintiff was the sole owner of The S. S. White Dental Manufacturing Co., m. b. h., of Berlin, Germany, at the date of the sequestration by the Imperial German Government of the property aforesaid, and at said date the amount of the investment of the plaintiff in its German property, as shown by its books was \$130,764.34. On account of this sequestration of its property the plaintiff charged off its books in the year 1918 the said sum of \$130,764.34, which sum appeared on its books as a loss. The effect of the sequestration of plaintiff's property was to destroy and to cause a loss to the plaintiff, which was absolute in 1918. Afterwards in 1921 the plaintiff sent an agent to Germany to investigate the condition and prospect of the German company, and becoming convinced that its condition was hopeless the said agent sold the tangible assets and its lease for the sum of \$6,000. This sum was duly returned as income for the year

1921. The plaintiff also filed a claim with the Mixed Claims Commission, United States and Germany. That commission has allowed said claim to the extent of \$70,000, with interest at 5 per cent per annum from February 1, 1920, until paid. But no part of said 45 \$70,000 had been paid to the plaintiff and no fund has been provided for the satisfaction of said claim.

Under date of May 15, 1924, the Commissioner of Internal Revenue rejected the refund claim of the plaintiff, filed under date of November 24, 1923, for the recovery of the sum of \$83,813.59 paid as taxes by it under protest.

The plaintiff's property was sequestrated in 1918; the loss suffered thereby was charged off the books of the plaintiff as a loss in 1918; the plaintiff deducted its loss in its income and excess profits tax return for 1918, the year in which it was sustained.

The Commissioner of Internal Revenue seems to have based his action in rejecting the claim of the plaintiff upon the idea that it had a good claim against the German Government, which claim he thought would be eventually paid. The following extract from the decision of the committee on appeals and review, which was approved and adopted by the commissioner, will more fully explain his view of the case:

It is the committee's opinion that the act of sequestration in 1918, in and of itself, did not result in an actual sustained loss in that year, which loss was susceptible of being measured in dollars and cents. It is also the committee's opinion, and this seems to be borne out by subsequent events, that by such act the appellant was temporarily dispossessed of property and investment in the Berlin branch with a consequent cessation of business and inability to realize possible profits during the indefinite period of sequestration. It is apparent that concurrent with the act of sequestration there arose a right or claim against the German Government for loss or damage resulting therefrom, which right or claim at the time could not be estimated as to value by any reasonable process of calculation. Losses to be deductible must ordinarily be evidenced by a completed or closed transaction.

The parts of the revenue act of 1918 (40 Stat. 1057) which are pertinent to this case are as follows:

SEC. 232. That in the case of a corporation subject to the tax imposed by section 230 the term "net income" means the gross income \* \* \* less the deductions allowed by section 234, \* \* \*

SEC. 234. (a) That in computing the net income of a corporation subject to the tax imposed by section 230 there shall be allowed as deductions:

\* \* \* \* \*

(4) Losses sustained during the taxable year and not compensated for by insurance or otherwise.

As there is no controversy with respect to the correctness of the amount of tax assessed and collected, the only question for determination is whether or not the plaintiff suffered a deductible loss during

the calendar year 1918 within the meaning of the statute above quoted.

It must be admitted that the effect of the action of the German Government was to cause the plaintiff to lose control of and title to the property in March, 1918; it followed that the property was lost to the plaintiff, and there was no means open to it by which it could or did regain control of or title to the property during the year 1918.

46 The loss was complete for the year 1918; it could be and was determined; the transaction for that year was closed and completed. The loss has continued down to the present time with the exception of \$6,000 salvaged from the property in 1921. It seems the commissioner loses sight of the fact that the plaintiff will only receive from Germany the sum of \$70,000 and when it will receive that is wholly problematical; so that according to his own reasoning the commissioner should have at least allowed the plaintiff the sum of \$60,764.34, the difference between the sum originally charged to the plaintiff and the amount which has been allowed on its claim.

The loss sustained by the plaintiff was in our opinion a loss deductible during the calendar year 1918 within the meaning of the statute. Because the plaintiff has a claim which may or may not be paid does not alter the fact that it suffered this loss in the year 1918 and has continued to suffer it down to the present time. The Government can not continue indefinitely to hold its taxpayers to account upon the idea that something may happen in the future which will change existing conditions. Losses, which are deductible, it is said, "must be evidenced by closed and completed transactions." Certainly this transaction was closed and completed in 1918; it remains completed so far as the loss of the plaintiff is concerned. That is surely complete and has continued to be complete from that time to this. In the construction of statutes common sense must at times be applied, and the facts in this case lead to but one conclusion, which is that the plaintiff suffered such a loss as the statute contemplated when losses were made deductible by its terms.

Judgment will therefore be awarded the plaintiff in the sum of \$83,813.59, with interest.

It is so ordered.

GRAHAM, Judge; DOWNEY, Judge; BOOTH, Judge; and CAMPBELL, Chief Justice, concur.

Nov. 9, 1925

At a Court of Claims held in the city of Washington on the 9th day of November, A. D. 1925, judgment was ordered to be entered as follows:

The court, upon due consideration of the premises, find in favor of the plaintiff, and do order and adjudge that the plaintiff, as

aforesaid, is entitled to recover and shall have and recover of and from the United States the sum of eighty-three thousand eight hundred and thirteen dollars and fifty-nine cents (\$83,813.59), with interest thereon at the rate of 6 per cent per annum from November 14, 1923, to the date of this judgment.

By the COURT.

48 [Clerk's certificate to foregoing papers omitted in printing.]

[File No. 31680. Court of Claims. Term No. 957. The United States, petitioner, vs. The S. S. White Dental Manufacturing Company of Pennsylvania. Petition for a writ of certiorari and exhibit thereto. Filed February 5th, 1926. File No. 31680.]

(O)



Supreme Court of the United States

*Order allowing certiorari*

Filed April 19, 1926

The petition herein for a writ of certiorari to the Court of Claims is granted. And it is further ordered that the duly certified copy of the transcript of the proceedings below which accompanied the petition shall be treated as though filed in response to such writ.

95143-26-2

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# In the Supreme Court of the United States

OCTOBER TERM, 1925

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No. 957

THE UNITED STATES, PETITIONER

v.

THE S. S. WHITE DENTAL MANUFACTURING COMPANY OF PENNSYLVANIA

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## BRIEF IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI TO THE COURT OF CLAIMS

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### OPINION OF THE COURT OF CLAIMS

The opinion in this case has not yet been officially reported, but it appears at pages 66-68 of the record.

### JURISDICTION

Judgment of the Court of Claims was rendered November 9, 1925. (R. 68.) The petition for certiorari was filed February 5, 1926 (R. 69). Jurisdiction to issue the writ is conferred upon the Court by Section 3 (b) of the Act of February 13, 1925 (chap. 229, 43 Stat. 936, at 939).

**THE QUESTION INVOLVED**

Did the claimant below, on the facts found and as a result of the sequestration of the property and business of its German subsidiary by the German government on March 19, 1918, sustain a loss during the taxable year 1918 not compensated by insurance or otherwise within the contemplation of the Revenue Act.

**STATEMENT OF THE CASE**

The claimant sued to recover taxes paid by it under protest in the amount of \$83,813.59, alleged to have illegally collected, and claim for refund of which had been denied. The basis of its claim was that it had sustained a deductible loss during the year 1918 within the meaning of Section 234 (a) (4) of the Revenue Act of 1918 (chap. 18, 40 Stat. 1057, 1078), but which had not been allowed by the Government in the computation of its net taxable income for 1918. (R. 57, 58.)

The claimant had a subsidiary company in Berlin, Germany, the property of which was seized on March 19, 1918, by the then Imperial German Government, acting through an agent known as the sequestrator. On that account, in its tax return for the year 1918 the claimant deducted a loss of \$110,764.34. Later an amended return was filed and a loss of \$130,764.34 was deducted for the year 1918. (R. 50.)

In Finding II of the Court of Claims it is stated that the investment was charged off the books in

1918. (R. 51.) What is meant by this finding is explained in Finding VIII (R. 54, 55), which sets the resolution of the board as follows:

Stated meeting, board of directors, July 29, 1918.

The S. S. White Dental Mfg. Co., m. b. h., Berlin.

Whereas The S. S. White Dental Mfg. Co., m. b. h., Berlin, represents the following investments in this company's assets as of December 31, 1917:

A-19, capital stock-----	\$15,000.00
B-28, furniture & fixtures -----	7,046.26
B-17, open accounts-----	127,670.75
Less formerly adjusted-----	18,952.67
	108,718.08
	130,764.34

and

Whereas in 1916 there was charged as a reserve against this amount the sum of \$20,000; and

Whereas under continued condition of war the loss will, in the judgment of this board, soon be complete:

Resolved, That additional reserves be set up on the following basis, viz, \$15,000 quarterly, beginning March, 1918, until liquidated.

This amount, claimed as a loss in 1918, was the investment of the claimant in the subsidiary company as shown by the books on December 31, 1915, at which time the last authentic report was received. (R. 50, 51, 54.) The loss was disallowed by the committee on appeals and review of the In-

ternal Revenue Bureau (R. 56), and by the Commissioner of Internal Revenue, because it was not a closed and completed transaction in 1918. (R. 49, 58.)

The property of the Berlin company was released and returned to the claimant or its subsidiary on March 14, 1920. (R. 63.) The physical assets and leasehold of the subsidiary were sold by claimant in 1922 for \$6,000. (R. 62.) In 1923 the claimant filed a claim with the Mixed Claims Commission against Germany in the total sum of \$368,333.32 on account of the loss of its subsidiary (R. 58), and on January 30, 1924, was notified by the agent of that commission that the claim had been allowed for \$70,000, with interest at 5 per cent from February 1, 1920, to the date of payment. (R. 65.)

The Government contended that the charging off of the loss for 1918 was of no effect of itself and that no loss could be deducted under Section 234 (a) (4) of the Revenue Act of 1918 (hereinafter set out), unless the loss was actually sustained as evidenced by a closed and completed transaction. On the Government's theory there was no closed and completed transaction in 1918.

The Court of Claims held that "the plaintiff suffered such a loss as the statute contemplated when losses were made deductible by its terms." (R. 68.)

### THE STATUTES

The pertinent parts of the Revenue Act of 1918 (40 Stat. 1057) are as follows (R. 2):

Sec. 232. That in the case of a corporation subject to the tax imposed by section 230 the term "net income" means the gross income \* \* \* less the deductions allowed by section 234 \* \* \*.

Sec. 234. (a) That in computing the net income of a corporation subject to the tax imposed by section 230 there shall be allowed as deductions:

\* \* \* \* \*

(4) Losses sustained during the taxable year and not compensated for by insurance or otherwise.

### ARGUMENT

#### I

THE SEQUESTERED PROPERTY HAD NOT BEEN *lost* IN 1918, WITHIN THE CONTEMPLATION OF THE STATUTE

"Sequestered" and "confiscated" are not synonymous. The word "sequestered" in contemplation of international law is defined by Webster's Dictionary as follows:

To appropriate under the right of pre-emption.

or—

The right of belligerents to seize and purchase at an appraised price contraband other than absolute contraband.

The word "confiscate" is defined by the same authority as—

To cause a person to forfeit property to the State.

The property sequestered by the German government in the instant case was taken over by that government through the sequestration during the period of hostilities, and the record does not disclose or indicate that respondent's title to the property was thereby forfeited or that the German government in any way indicated its non-liability for damage or loss resulting therefrom. The property was returned to the respondent by the German government after the cessation of hostilities and, as is hereafter shown, the right was possessed by respondent to compensation for the loss sustained on account of such sequestration of its property. The record further shows that the respondent has recognized and vigorously asserted its rights in that regard.

It is apparent, therefore, that at the time respondent's property was sequestered in 1918 it was not definitely known whether or not ultimately there would be a loss, and if so, the amount thereof. Before the end of 1918, as will be demonstrated, it had been established that in all likelihood this damage, with other similar damage, would be compensated by the German government. The transaction was not closed and completed during the year 1918, and no loss was definitely sustained during the year in which respondent sought to take its deduction.

Furthermore, the situation in the instant case seems to be disclosed by the respondent's own action and attitude. While, as pointed out, in the statement of the case (page 1, petition and transcript of record), the Court of Claims in Finding II (R. 51) stated that the investment was charged off the books in 1918, what was meant by Finding II is disclosed in Finding VIII (R. 55), which shows that in 1916 \$20,000 had been set up as a reserve for losses on the investment of \$130,764.34, and it was resolved in 1918 "that additional reserves be set up on the following basis, viz, \$15,000 quarterly, beginning March, 1918, *until liquidated.*" (Italics ours.) This seems clearly to indicate that the net value of the investment, as shown on the books, was reduced in 1916, before the seizure, to \$110,000, and it was further reduced, as a result of the seizure, \$60,000 in 1918, and the balance in 1919. This appears to indicate that the company did not regard all the property as *lost* in 1918.

Finally, the events of 1918, of which the Court may take judicial notice, will further indicate that there was no loss sustained in 1918. Germany was defeated in 1918, and before the end of that year it was certain that she would be made to return seized American property and pay for that part of it lost or damaged, to the extent she was financially able to pay. The Armistice agreement was concluded between the allied and associated governments and Germany on November 11, 1918. In the course of the pre-armistice negotiations it was

agreed by Germany and by the principal allied and associated powers "that compensation will be made by Germany for all damage done to the civilian population and loss of their property by the aggression of Germany by land, by sea, or from the air." It was stipulated that this would be one term of the peace treaty about to be negotiated. (See note of November 5, 1918, from Secretary of State Lansing to the Swiss minister in charge of German interests.)

Clause XIX of the Armistice agreement states:

With the reservation that any subsequent concessions and claims by the allies and the United States remain unaffected, the following financial conditions are imposed:

Reparations for damage done \* \* \*  
(Armistice agreements, Senate Document No. 147, 66th Congress, First Session.)

The treaty between the United States and Germany restoring friendly relations was signed at Berlin August 25, 1921. The same treaty was ratified by the Senate on October 18, 1921, by the President on October 21, 1921, and by Germany on November 2, 1921 (42 Stat., Part 2, 1939).

The Treaty of Versailles was signed on June 28, 1919, and Articles 231 and 232 thereof provide that Germany will make compensation for all damage done to the civilian population, and in Annex I for damage for all property which has been carried off, seized, injured or destroyed by the acts of Germany (see Treaty Series No. 658, pp. 30, 31, 34, 35).

The Mixed Commission on Claims, created under the agreement of August 10, 1922 (42 Stat., Part 2, 2200), which commission considered and passed upon the claim herein, thus carried on the provisions of the Treaty of Berlin which embodied and gave effect to the provisions of the Armistice agreement. Thus in November, 1918, so far as it might be done, it had been provided that the respondent would be compensated. There was therefore no justification for a claimed loss for that year.

## II

### THE MEANING OF THE WORD "LOSSES" AS USED IN THE REVENUE ACT OF 1918

The Revenue Act of 1918, as well as prior and subsequent revenue acts, provides for different classes of deductions, one of which is on account of "losses sustained during the taxable year and not compensated for by insurance or otherwise." (Sec. 234 (a) (4).) Another class of deductions is "debts ascertained to be worthless and charged off within the taxable year." (Sec. 234 (a) (5).)

While the statute does not expressly provide that deductions for losses shall be evidenced by closed and completed transactions, it does in effect so provide with respect to deductions on account of worthless debts, since it provides that debts to be deductible must be ascertained to be worthless and must be charged off within the taxable year, thus constituting a closed and completed transaction.

The United States Board of Tax Appeals has considered the matter of allowance of deductions for bad debts, applying the rule that such deductions must be evidenced by closed and completed transactions, in the following cases:

*Appeal of Greenville Textile Supply Co.*,  
1 B. T. A. 152.

*Appeal of Steele Cotton Mill Co.*, 1  
B. T. A. 299.

*Appeal of C. S. Webb, Inc.*, 1 B. T. A. 269.

*Appeal of Alemite Die Casting & Mfg. Co.*,  
1 B. T. A. 548.

*Appeal of Harry Gottlieb*, 1 B. T. A. 674.

The word "losses," as used in Section 234(a) (4) of the Revenue Act of 1918 denotes definitely closed and completed transactions which result in the diminution of the net worth or income of the taxpayer. The term "losses sustained," within the meaning of the statute, does not have reference to the conversion of one kind of property into another, such as the conversion of a tangible asset into an intangible one, whereby the net worth of the taxpayer has not been changed. A deductible loss under the statute must be more than an apparent or possible loss; it must be one that has been definitely and finally sustained, with respect to which there does not exist any contingency which may affect the question of whether or not a decrease of value or diminution of net worth has in fact occurred. In connection with the term "losses sustained," the statute further provides the qualification "and not compensated for by insurance or

otherwise." It is thus apparent that within the meaning of this statute a loss is not sustained so long as there is any contingency which may result in compensation for the loss, whether by insurance or otherwise.

A careful consideration of the provisions in the Revenue Act and of the method devised by Congress for the assessment and collection of internal revenue taxes can lead only to the conclusion that a deductible loss under the statute must be evidenced by a closed and completed transaction, which must result in a definitely ascertainable decrease of net worth. Thus, where a taxpayer involuntarily parts with the possession of physical or tangible property, and in the ordinary sense has sustained a loss of that property, but concurrently therewith a claim arises in favor of the taxpayer for compensation therefor, and a reasonable expectancy exists for the recovery of such compensation, then a deductible loss under the Revenue Act has not occurred, for the reason that the transaction is in effect only a conversion of a tangible asset into an intangible asset, and the taxpayer's net worth remains the same. If thereafter it be determined that the claim for compensation has become worthless, as through the insolvency of the debtor or by arbitrary refusal of a sovereign government to make restitution or allow compensation, or the claim is otherwise determined to be uncollectible, a deductible loss would thereupon

and at that time be sustained by the taxpayer with respect to such claim or intangible asset. This leads to a consideration of the matter of the determination of a loss as affecting the question of when the loss is sustained.

### III

#### DISTINCTION BETWEEN THE TIME WHEN A "LOSS" IS SUSTAINED AND THE ASCERTAINMENT OR DETERMINATION OF THE AMOUNT OF SUCH LOSS

Section 234 (a) (4) of the Revenue Act of 1918 provides that, in computing the net income of a corporation, there shall be allowed as deductions "losses sustained during the taxable year and not compensated for by insurance or otherwise." In the instant case respondent seeks to construe the provision above quoted as meaning that the loss must be compensated for during the taxable year in order to prevent its being deductible, thus in effect making the provision in question read, "losses sustained during the taxable year and not compensated for *during the taxable year* by insurance or otherwise." The vice of such a construction is at once apparent upon consideration of the results which would flow therefrom. Such a construction would inevitably lead to unjust discrimination and the unequal assessment and collection of taxes in the cases of taxpayers similarly situated with respect to losses sustained during the same taxable year. For example, if A sustained a

loss by fire during the month of December, 1918, such loss being compensated by insurancee, if the compensation was received by A before the expiration of the year 1918, clearly no deductible loss would be sustained. If B sustained a loss by fire at the same time and under the same circumstances, but his loss was not compensated by insurance during the taxable year, although a claim in his favor may have arisen at the time, he would be entitled, under the construction of the statute urged by respondent, to deduct the amount of such losses and thereafter treat the compensation as taxable income for the year in which received. If such compensation was so received by B after Congress had provided lower rates of taxation in the Revenue Act of 1921 or the Revenue Act of 1924, this would result in the payment of a proportionately less tax by B than by A, notwithstanding the only difference with respect to their losses was the fact that A received compensation for his loss during the taxable year 1918, whereas B reeeived compensation for his loss in a subsequent year. This in effect is the result sought by respondent in its action herein. Clearly such was not the intent of Congress. Further, it is confidently asserted that the language used in the statute does not require, and indeed will not permit such a construction to be placed thereon.

The question of when a loss is sustained is in no-wise dependent upon when the loss is discovered,

nor is it dependent upon how the taxpayer may regard the transaction giving rise thereto. The Revenue Act of 1918 imposes no duty upon the taxpayer to determine the loss and charge same off his books during the taxable year as in the case of a bad debt, or to set up reserves to liquidate it, in order to constitute a deductible loss. The question of whether a deductible loss has been sustained during the taxable year, and not compensated by insurance or otherwise, must be determined solely from the facts of each case. Thus a taxpayer may suffer a loss by burglary or embezzlement during the taxable year 1918, and the amount of such loss, or indeed the very fact of such loss, may not be discovered until after the close of that year; but if the amount of such loss is definitely ascertainable by any reasonable method of computation and it appears to be a final loss, not compensated by insurance or otherwise, the taxpayer sustained the loss during the year 1918. He is therefore entitled to deduct such loss from his taxable income for that year.

In the instant case, the facts as found show that respondent did not sustain a loss during the year 1918 by reason of the sequestration of the property of the Berlin company by the German government, not compensated by insurance or otherwise, and evidenced by a closed and completed transaction. On the contrary, the facts show that, concurrently

with the sequestration of the property of its Berlin company, a claim arose in favor of respondent against the German government for any loss resulting therefrom; that during 1918 the military defeat of Germany made restoration or confiscation certain, barring her insolvency; that the property sequestered in 1918 was returned to respondent by the German government in 1920, a part of which property it sold in 1922 for the sum of \$6,000.00; that in 1923 respondent presented to the Mixed Claims Commission on account of its said loss a claim against Germany for the sum of \$368,333.32, which was subsequently allowed by the Mixed Claims Commission in the sum of \$70,000.00. It is apparent, therefore, that the act of sequestration in and of itself did not result in any loss to respondent during the year 1918, but merely resulted in the conversion of mixed assets (tangible and intangible) into an intangible asset. It may be further stated that the facts show that respondent has not yet sustained any deductible loss by reason of said sequestration, and if the claim allowed in its favor by the Mixed Claims Commission is ultimately paid, no deductible loss will be sustained, since the Mixed Claims Commission has in effect determined that the sum of \$70,000.00, with the interest specified, will compensate respondent for its loss resulting from said sequestration.

## IV

## REENACTMENT OF STATUTE AS ADOPTING PRIOR ADMINISTRATIVE CONSTRUCTION

The Revenue Act of 1916, approved September 8, 1916 (Chap. 463, 39 Stat. 756, 767, 768), provided in pertinent part as follows:

Sec. 12. (a) In the case of a corporation \* \* \* organized in the United States, such net income shall be ascertained by deducting from the gross amount of its income received within the year from all sources—

\* \* \* \* \*

Second. All losses actually sustained and charged off within the year and not compensated by insurance or otherwise \* \* \*.

Regulations No. 33 promulgated under the Revenue Act of 1916 provided in pertinent part as follows:

## LOSSES

ART. 147. When deductible.—The deduction for losses must represent losses not compensated for by insurance or otherwise and which were charged off and *actually sustained within the year as evidenced by closed and completed transactions.* \* \* \* (Italics ours.)

This regulation constituted an administrative construction of the statute by the executive department of the Government charged with its enforcement.

Thereafter, in the Revenue Act of 1918, Section 234 (a) (4), hereinabove quoted, Congress re-enacted substantially the same provision as contained in the Revenue Act of 1916, by providing that in computing the net income of a corporation there shall be allowed as deductions:

Losses sustained during the taxable year and not compensated for by insurance or otherwise.

The Department continued to construe this provision as meaning that such losses to be deductible must be evidenced by closed and completed transactions. (Regulations 45, Art. 141.)

Again, in the Revenue Act of 1921, approved November 23, 1921 (Chap. 136, 42 Stat. 227, 254, 255), Congress reenacted substantially the same provision with respect to corporate deductions on account of losses, and in addition thereto specifically conferred on the Commissioner authority to permit such losses to be accounted for as of a different period when in his opinion such accounting was necessary in order to clearly reflect the income. The Revenue Act of 1921 provided:

Sec. 234. (a) That in computing the net income of a corporation subject to the tax imposed by section 230 there shall be allowed as deductions:

\* \* \* \* \*

(4) Losses sustained during the taxable year and not compensated for by insurance

or otherwise; unless, in order to clearly reflect the income, the loss should in the opinion of the Commissioner be accounted for as of a different period. \* \* \*

The regulations issued under the Revenue Act of 1921, and which constituted the Department's construction of the meaning of this provision, were substantially the same as under the prior Acts. (Regulations 62, Art. 141.)

The Revenue Act of 1924, approved June 2, 1924, (Chap. 234, 43 Stat. 253, 283, 284), provides:

SEC. 234. (a) That in computing the net income of a corporation subject to the tax imposed by section 230 there shall be allowed as deductions:

\* \* \* \* \*

(4) Losses sustained during the taxable year and not compensated for by insurance or otherwise. \* \* \*

The regulations promulgated under the 1924 Act likewise do not differ substantially in this respect from the prior regulations. (Regulations 65, Art. 141.)

It is therefore respectfully submitted that Congress, in reenacting in the Revenue Acts of 1918, 1921, and 1924 substantially the same provisions as were contained in the Revenue Act of 1916 with respect to corporate deductions for losses, must be presumed to have known the administrative construction given to those provisions by the executive department charged with the administration of the

revenue laws and to have given legislative approval thereto.

"Where the meaning of a statute is doubtful, the construction given it by the department charged with its execution should be given great weight, for the reason, among others, that if such construction does not properly interpret the meaning and intent of Congress, Congress, by amendment or reenactment of the statute, can readily correct the same. This presumption that the department charged with the execution of the law has properly interpreted it is strengthened in proportion to the length of time such construction has obtained without challenge by the law-making power, so that, where such executive construction has been long continued, a court has a right to presume that Congress is content therewith. This exhausts the full force and effect of such construction, and, while not binding upon a court, nevertheless a court will be slow to depart therefrom, unless the language of the statute itself absolutely requires it to do so."

*Mayes, Collector, v. Paul Jones & Co.,*  
270 Fed. 121, 129-130.

*Edwards, Collector, v. Wabash Ry. Co.,*  
264 Fed. 610.

*Malley, Collector, v. Walter Baker & Co.,*  
*Limited,* 281 Fed. 41.

*United States v. Cerecedo Hermanos y*  
*Compañía,* 209 U. S. 337.

*Maryland Casualty Co. v. United States,*  
251 U. S. 342, 355.

*National Lead Company v. United States,*  
252 U. S. 140.

#### CONCLUSION

To the reasons advanced for the granting of the writ which are set out at page 3, printed petition and transcript of record, and the argument in support thereof, *supra*, it may be added that the precise question presented in this case has not heretofore been the subject of consideration by the Federal courts. In the case of *United States Trust Co. of New York v. Gilchrist*, 206 N. Y. Supp. 485, 488, the court held that it was for the taxpayer to establish his right to a deduction and the amount thereof. In *Re Harrington*, 1 F. (2nd) 749, the court held that it was sufficient when the plaintiff showed that the stock involved was known to be worthless and a satisfactory showing was made of its worthlessness; that the company was insolvent and had suspended operations, and in such a case it was unnecessary to await the formal termination of the receivership.

The Court of Claims in its opinion (R. 66-68), decides the question adversely to the Government's contention, but cites no authorities and lays down no principle, but says (R. 68):

The loss sustained by the plaintiff was in our opinion a loss deductible during the calendar year 1918 within the meaning of the statute. Because the plaintiff has a claim

which may or may not be paid does not alter the fact that it suffered this loss in the year 1918 and has continued to suffer it down to the present time. The Government can not continue indefinitely to hold its taxpayers to account upon the idea that something may happen in the future which will change existing conditions. Losses, which are deductible, it is said, "must be evidenced by closed and completed transactions." Certainly this transaction was closed and completed in 1918; it remains completed so far as the loss of the plaintiff is concerned. That is surely complete and has continued to be complete from that time to this. In the construction of statutes common sense must at times be applied, and the facts in this case lead to but one conclusion, which is that the plaintiff suffered such a loss as the statute contemplated when losses were made deductible by its terms.

It is urged that, in view of the provision in the regulations of the Internal Revenue Bureau that no loss can be deducted unless it has been actually sustained, as evidenced by a closed and completed transaction, which regulation has been consistently followed, and in view of the great number of taxpayers who are directly affected, the case is of large importance. As stated in the petition for certiorari, the claims arising by reason of sequestration of property by Germany make up but a small class as compared with those that come within the general principle. It is urged, there-

fore, that the petition for writ of certiorari to the Court of Claims be granted.

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